



UPHONGOLO MUNICIPALITY

2016/2017 ANNUAL REPORT

30 JUNE 2017

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Glossary

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give “full and regular” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “ <i>what we do</i> ”.
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The budget which has been approved by Council, adjusted to reflect in year virements (i.e. transfers between budgets).
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.

Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	<ul style="list-style-type: none"> • Basic Service Delivery & infrastructure • Local Economic development • Municipal Transformation and Institutional Development • Financial Viability and Management • Good Governance and Public Participation • Cross cutting Intervention
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.

Performance Standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p><i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i></p> <p><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></p>

CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

FOREWORD FROM THE HONOURABLE MAYOR



Honourable Speaker, Amakhosi, Deputy Mayor, Executive Committee Councillors, Management and Community Members Present, I greet you.

It is with great pleasure that I present this annual report for the financial year ending in June 2016. Firstly, I would like to congratulate you honourable councillors for being elected by your different constituencies to be the Champions of service delivery in your respective wards. I know this is not an easy task; it requires great commitment, passion, compromise and most of all putting the people's interest first before yours. Honourable speaker if I look at these councillors I'm definitely sure that they will do their work with honesty, integrity and collectively.

Honourable Speaker please allow me to take this opportunity to thank this council to welcome and allow me to lead them in this period. I promise that in these five years that we have been given by the electorate they will be spent fruitfully for the benefit of our people. Your inputs and constructive criticism is welcomed honourable councillors.

Honourable Speaker as the new council that has been in office for only a week or so, we have engaged in campaign for our different parties since April if not earlier than that. We are here in the council carrying clear mandates of our constituencies and of our communities at large. We are aware that we've been sworn in office after the IDP's and budgets of the 2016/17 financial year had been approved. What is expected of us is to re-affirm these two documents which are the main Fundamentals in delivering services to our people or rather amend them if needs be.

We've, also Hon. Speaker, in the previous year been able to deliver projects like ECD centres in ward 04 and 09 responding to the call by the national government that education must be put first, and we also believe in the saying that "Zibanjwa zisemaphuphu". By building ECD's for our community we are also meeting the halfway parents who are working. They don't have to worry about the safety of the young ones while they are at work.

Also in education the municipality continues to assist learners with bursaries when they need to further their studies in higher education institutions. We do this in a form of taking 10 students to university each year according to their needs. We also continue to assist learners with outstanding

fees or registration fees if they are less than R10000-00. We again believe that this is not enough and we should collectively, come up with a strategy in which we can extend our educational financial assistances to our children. We should also consider catering for those who did not finish their matric but need to get to TVET's to acquire skills.

Honourable Speaker, we also believe in the saying that the country which does not take care of their youth has no future. So in trying to build our youth's future we engaged ourselves in projects like building sport field in ward 03, eSomile area, we've also built a beautiful community hall in ward 13 which was been handed over on 24 July this year.

There's also another hall in ward 09 which is also under construction. We believe that projects like sports field and community halls will keep our youth busy and remove them away from drugs and all the gangsterism activities which are destroying their future.

One of the challenges that our municipality is facing is the issue of access roads. As uPhongolo we are one of the municipalities that are not that poor so this means our community are affording to buy cars, so we don't want a situation where our fellow community members have to leave their cars in the streets or in their neighbours because of the road that are in a bad condition. In the previous years we managed to build an access road in ward 04, which is now ward 08. I think this is not enough and we need to improve this councillors.

In the previous year we started the tarring of road in ward 11 next to the clinic up until the education centre. We believe that this will assist in boosting our economy because by tarring our roads we make an environment conducive for investors to come and invest in our town. This will also help in the job creation for our people.

Honourable Speaker another responsibility of the municipality is to ensure that residents are safe, and there is no crime. So in conjunction with the department of Community Safety and Liaison we've successfully launched ward safety committees which is a structure that is the base where ten volunteers were elected to form a committee. The MEC for Community Safety and Liaison department has also in July 2016 launched the Community Safety Forum where all stakeholders come together and form a committee to lead the fight against crime in the whole of uPhongolo area. The head of the Municipality, the Mayor, lead this structure. We as the leadership of uPhongolo, have committed ourselves to making sure that we do away with crime because we cannot afford to lead a community that lives in fear. We also believe that if there's crime no investor will come to Pongola because they will be robbed of their things and the tourists will be afraid to come and visit this beautiful place of ours and we may lose business.

Honourable Councillors there is a lot that can be said about the achievements and progress by this municipality, one of our responsibilities is that we adhere to the Back to Basics agreement, which we signed, with the Department of COGTA in 2014. It stipulates that every one of us be it the councillors, senior management and junior staff must stick to what they are employed for. If you are a cleaner in the municipality or you are a secretary, to make an example, do it with honour and responsibly. We are also not expecting to see municipal properties being misused for we believed this is against the back to basic agreement we've signed.

In the local economic development, the municipality yearly allocates an amount of R50000-00 for each ward to assist our community start their own businesses. It is sad honourable councillors that it seems

as the businesses are not sustainable. I think we should do an audit and a report on all the previous projects we've given to our people to see whether they are serving the purpose or not and if not come up with a turnaround strategy. We cannot waste taxpayer's money in something that has no progress. I believe that our LED department is doing everything in capacitating the cooperatives that are benefiting from the programme.

We know that this is not enough, maybe we have to take a decision that we use this money for one big project that will be well monitored instead of splitting it to many projects that are not helping.

Honourable councillor one of our most fundamental responsibilities is to do oversight in everything that is happening within our municipality. Having said so we need to put a close eye when it comes to the issue of financial management. In this municipality the issue of overtime has been an ongoing and uncontrollable concern and we urge our administration to come up with some measures to minimise or totally do away with this if possible. Our main mandate is service delivery, not and employment entity.

Having mentioned all these achievements and challenges we have, please allow me Honourable Speaker to take this opportunity to appreciate the good work that our administration is doing. We understand that they sometimes have to take their time they should be spending with their loved ones and dedicate it to the work of the municipality. Without them, the councillors could have not achieved what we have. We also encourage them to put more effort for we believe there's still a room for improvement.

Honourable Speaker, Councillors and all present let me take this opportunity to wish this newly elected council a fruitful term. Collectively we can take the people of Pongola to greater heights.

I thank you.

EXECUTIVE SUMMARY FROM THE MUNICIPAL MANAGER

uPhongolo Local Municipality was established and operates in terms of Chapter 7 of the South African Constitution. Section 152(1) outlines various objects of local government and it is on these objects that this municipality governs and serves its community in a democratic manner.

Although all managers and employees are responsible for risk management in their own areas, the municipality has a Manco Risk committee to address this important task. The Manco Risk committee reports to the Audit Committee on a quarterly basis.

The Fraud prevention strategy which was approved by the Council is being implemented and this will help reduce malpractices within uPhongolo municipality. We also have instituted an enterprise risk management framework which also includes the risk management policy.

The audit performed by the Auditor-General for the financial year ended 30 June 2017 resulted in the Municipality getting a qualified audit opinion. The main reason for this audit opinion was the out-dated indigent register.

The municipality has developed an Audit Action Plan to address all issue and this emanates from matters reported by the Internal audit and the Auditor-General. The plans are monitored by Manco at regular intervals.

On 3 June 2016, the Annual Risk assessment process was successfully completed with the assistance of KZN Provincial Treasury. This process was of critical importance as the Internal Audit is required by the MFMA to plan the audit coverage to address the risks identified through the risk management processes developed and maintained by management, therefore the risk assessment process and the internal audit planning process are aligned so that timely and relevant risk information is available to internal audit when they are devising their audit coverage plans.

uPhongolo Local Municipality has five service departments, namely, the Municipal Manager's office, Finance Department, Technical department, Community Services Department and the Corporate Services department. These departments' head of department positions have been filled and service delivery is expected to be of high standard, however, there still exists some vacancies in lower ranks. This somewhat cripples the municipality's functioning.

The Performance Management System (PMS) guiding document is the approved PMS framework and Policy that is aligned to the Planning and Performance Management Regulations including Appointment and Conditions of Employment of Senior Managers issued on the 17 January 2014.

The high level process cycle of the Performance Management System is designed to monitor the departmental performance in the following key performance areas; service delivery, municipal transformation, financial viability, good governance and cross-cutting interventions.

Service delivery highlights:

Electricity – Households with electricity for lighting were considered to be above minimum requirement as the 20 Amp is provided by Eskom. More electrification projects are being rolled-out on an annual basis and as such, the 18% is used as an indicator.

Refuse – Households with refuse being collected by the Municipality was considered to be above minimum standard as the standard collection is twice weekly for all households being provided by the service.

Sanitation- Households with access to Flush or chemical toilet and VIP toilets were considered to be above minimum standards. The sanitation function is provided by the District Municipality and the access of 70 % above minimum standard is as per the 2011 statistic. Sanitation projects are being implemented by the District.

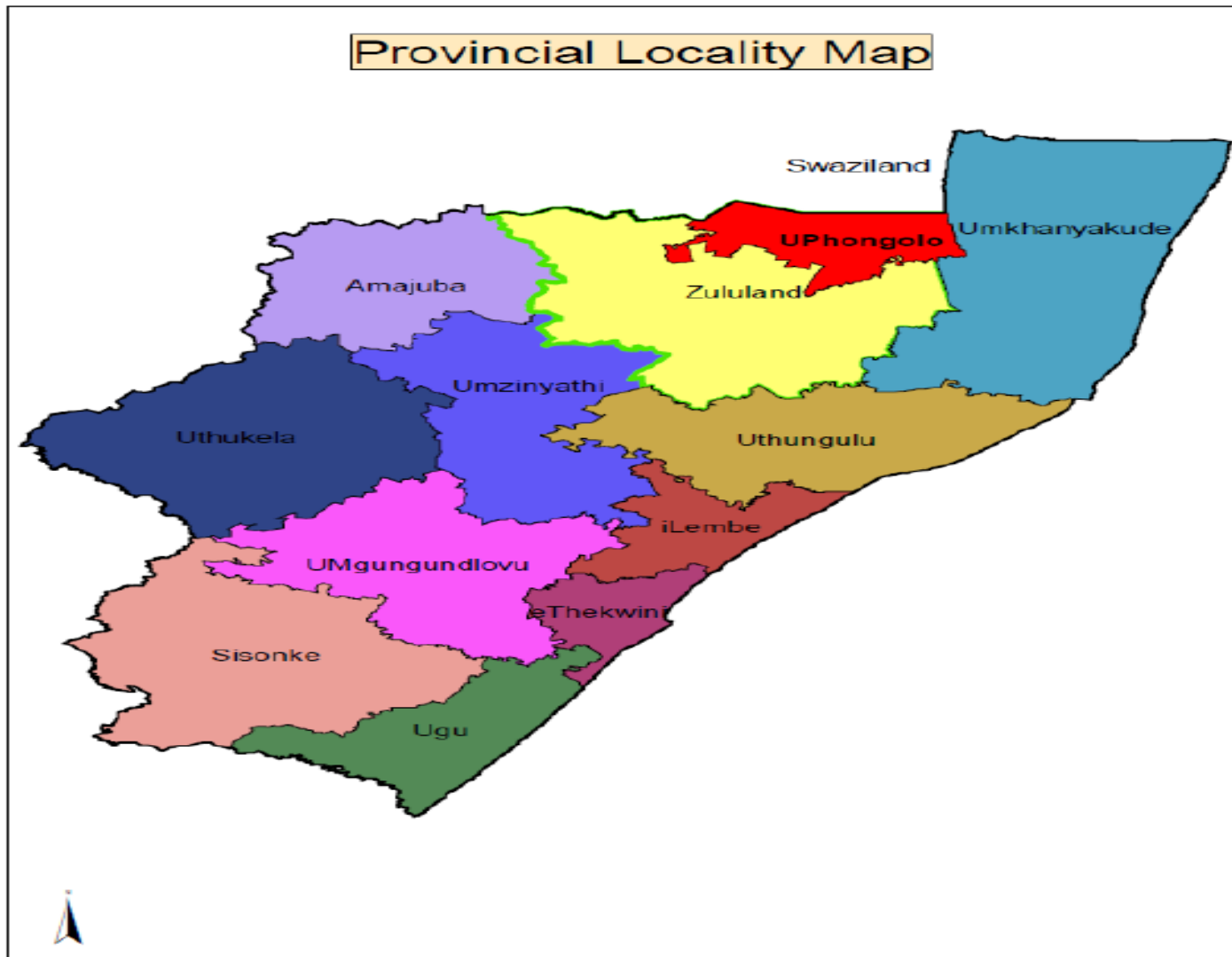
Water- Households with piped water in the yard and at a communal stand are considered to be above minimum standard and as such, 27% backlog was noted in the 2011 census information. This function is also being provided by the District Municipality.

MR W M NXUMALO

ACTING MUNICIPAL MANAGER

1.1 MUNICIPAL FUNCTION, POPULATION AND ENVIRONMENTAL OVERVIEW

Figure 1.0



The uPhongolo Local Municipality is one of the five local municipalities' located within the area of the Zululand District Municipality. The Municipality is governed by a Council consisting of 29 Councilors and an Executive Committee. The administrative functions are performed by the Municipal Manager, assisted by other S56 managers consisting of the Chief Financial Officer, Technical Services Director, Corporate Services Director and the Community services Director.

The Municipality is located in KwaZulu-Natal in the Northern area of Zululand District Municipality (DC26). The Municipality consists of 15 wards and it has a geographical area of 3 239km².

DEMOGRAPHIC PROFILE

Table 1.2: Area Statistics

Indicator	uPhongolo Municipality
Area	3 239km ²
Population	127 238
Households	28 772
Number of settlements	104
Urban areas	1 town and 4 small urban settlements
Female	67510/53.06%
Male	59728/46.94%

Source: SA Stats 2011

Most of uPhongolo citizens (82%) reside in the rural areas. It is interesting to note that population has decreased dramatically from 149 543 (ZDM household survey 2008) to the current official statistics 2011 showing 127 238. The population experienced a total decrease of 22 305 (14.9%) when compared with ZDM survey results OF 2008.

Table 1.3: Life statistics

Indicator	Description	Value
Gender breakdown	Males	46.94%
	Females	53.1%
Age breakdown	0 -14	51.78%
	15 -64	43.93%
	65+	4.29%
Life expectancy	In 1998	65 years
	In 2011	48 years

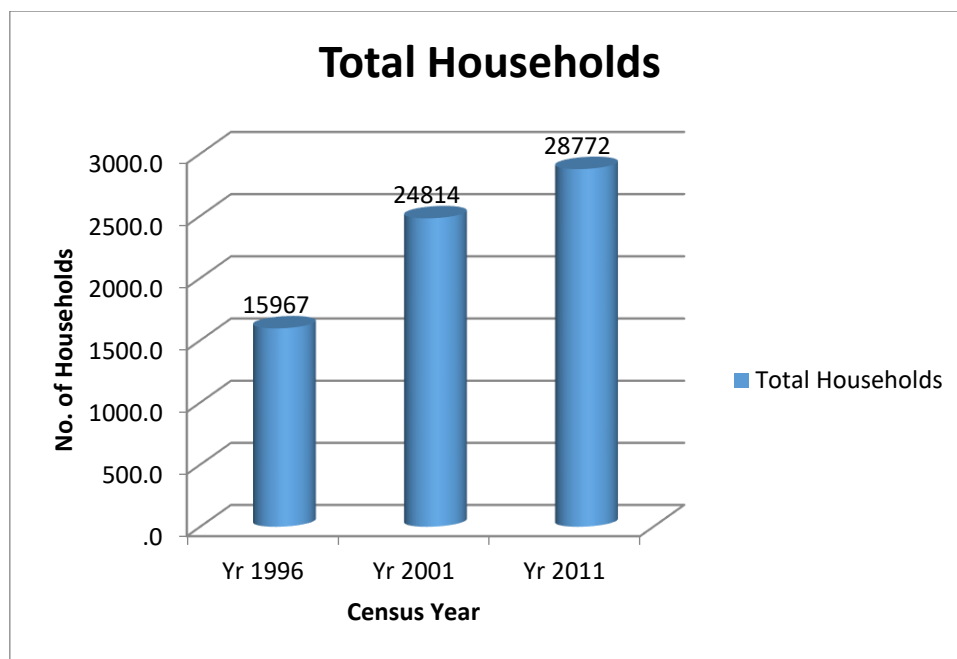
Age breakdown analysis shows a decrease of 12.47% in the 15 to 64 age group meaning that uPhongolo has become a breeding and training ground of the South African labor force were upon attaining qualifications and experience the working age group departs for greener pastures. As such major interventions through the provision of access roads, electricity and proper sanitation are required as our priority areas in the IDP. This kind of investment will bring development that can lure our citizens to stay and develop with us instead of migrating.

Population

	1996			2001			2011		
	Male	Female	Total	Male	Femal	Total	Male	Female	Total
0-4	6 751	6 868	13 619	7 663	8 038	15	8 838	8 962	17
10-14	7 273	7 373	14 646	8 266	8 097	1636	8 042	8 120	16 162
15-19	6 827	7 095	13 922	8 398	8 492	16	8 155	7 910	16
15-19	5 482	6 052	11 534	7 704	8 169	15	7 961	7 897	15 858
20-24	4 086	5 135	9 220	5 249	5 941	11 190	6 380	7 087	13 467
25-29	2 828	3 714	6 543	3 968	4 639	8 607	4 997	5 766	10 762
30-34	2 261	3 332	5 593	2 959	3 792	6 751	3 354	3 894	7 247
35-39	2 123	2 813	4 936	2 476	3 335	5 811	2 615	3 192	5 806
40-44	1 859	2 195	4 054	2 343	3 018	5 361	2 021	2 793	4 814
45-49	1 377	1 625	3 002	1 881	2 373	4 254	1 635	2 554	4 188
50-54	1 035	1 148	2 183	1 476	1 689	3 165	1 665	2 318	3 983
55-59	904	1 224	2 127	1 072	1 270	2 342	1 315	1 873	3 188
60-64	679	1 076	1 755	990	1 471	2 462	970	1 467	2 438
65-69	541	1 128	1 669	600	1 085	1 685	613	992	1 605
70-74	363	557	920	479	1 082	1 561	538	1 022	1 560
75-79	295	427	722	324	480	805	263	685	948
80-84	118	148	265	236	426	662	184	573	757
85+	84	155	239	94	205	298	182	406	588
Total	44 884	52 065	96 949	56 178	63 602	119	59 728	67 510	127

Source: Statistics SA

Census data



Municipal Functions

The Municipality's core object is to deliver the basic services in line with the legislation to improve the lives of the uPhongolo Community and its visitors. The community needs are identified through the public participation process of the Integrated Development Plan (IDP) which are then budgeted for and implemented.

The focus for the year was on the Electrification of areas without electricity, Construction and maintenance of roads, Provision of RDP Housing for the needy, solid waste removal, Job creation (local economic development) and Construction Community Hall, Sport fields and Crèches. See Annual Performance report for details of level of services provided for 16/17.

ECONOMY GROWTH

UPhongolo has 50 km² of sugarcane and subtropical fruit plantations surrounding it using drastic irrigation systems. The town of Pongola has thrived as a result of the canal system and a sugar mill that was built which together with the sugarcane plantations and government employment sustains the livelihood of the people of uPhongolo. The N2 national road corridor passes through the uPhongolo area as a national link between Gauteng and Richards Bay then Durban in the south. It also connects with Swaziland just to the north of the uPhongolo Municipal area. This is the primary development corridor in uPhongolo.

The Pongola area also has many tourist attractions including Game Farms and Lodges, the Pongolapoort Dam, famed for its Tiger Fishing and surrounding wildlife, cultural history and much more. The town of Pongola is wedged between the Swaziland border and the Pongola River and has all the modern facilities, Supermarkets, Hospital, Small Airport, 9 (hole) Golf Course, Tennis and Bowls. Pongola has an unparalleled selection of excellent game camps and lodges in which to spend the night. Around Pongolapoort Dam there are 10 lodges in the Pongola Game Reserve which has four of the Big 5.

The two main rivers in the municipality are the Mkuze River in the south and the (Pongola) River in the north, the latter feeding the Pongolapoort Dam, located on the eastern boundary of the municipality. Agriculture and tourism form the basis for the municipality's economy. Major development components consist of game and nature reserves, agricultural activities, traditional settlement areas and some urban nodes.

The public sector is the dominant provider of employment opportunities; however, the informal sector is expanding, primarily based on the taxi industry, informal financial services and taverns. Average income levels are low, with 66% of households receiving no income or less than R2 400.00 per month. The traditional and rural areas are the most poverty stricken. Unemployment levels are relatively high; only 13.43% of the population is formally employed. Close to half of the population are children, placing pressure on the need for educational and social facilities. Many of these children are orphaned as a result of HIV/AIDS.

There is a clear sign that more and more young people are getting educated. In 2001 a total of 6757 people had Matric while in 2011 it increased to 15 703 (source-census 2011). This becomes a challenge for the municipality if there are limited places of work that will employ this generation. The district has since embarked on a journey to sensitise the business people on investment opportunities that the district offers. Further a database has been created registering all unemployed youths with the intention of providing them with internship positions to enhance their practical learning and increase their marketability. Further, we have started employing large numbers from all wards under the EPWP programme.

The Municipality has also embarked on several activities to speed up the growth of uPhongolo. This includes the investment in a flea market complex which was completed in 15/16 and well as the Imbube Cultural Village which is still under construction. This market is expected to benefit from the free flow of tourists visiting the many game reserves in the area, as well as encourage locals to be productive as there is a selling place for their products. There has also been a newly developed mall at uPhongolo which has since seen the attraction of other major retail chains into this growing town. These opportunities have not only increased job opportunities but also have increased the quality of lifestyle for the local citizens as they can now shop at the best shops in South Africa.

uPhongolo will see major structural developments in the near future as more and more retailers are establishing their mark on our map. As a municipality we aim to ease and facilitate this development by providing state of the art infrastructure. The municipality hopes to speed this up through training of small informal sector business to provide building blocks services, so they can take advantage of the current boom in the building section that is buffered nationally by the current low interest rates.

1.2 SERVICE DELIVERY OVERVIEW

SERVICE DELIVERY INTRODUCTION

The Municipality has two basic services that it provides to the Pongola community, namely refuse removal and Electricity. Due to the low urban settlement area when compared to the Farm and Tribal settlement area, the refuse removal services is only provided to the urban settlement area. This effectively translates to 15% or 4364 of the Pongola households.

There is a great improvement in the electricity connection within the Pongola areas when compared to prior year. The majority of wards now have access to electricity with the exception of 2 wards which areas currently being connected. The town and surrounding residential areas are under the Municipal license area which makes up 1.2% of households with access to electricity. The rest of the connections are under the Eskom Licenses area with the total connection amounting to 98% of households with access to electricity.

1.3 FINANCIAL HEALTH OVERVIEW

FINANCIAL OVERVIEW

The municipality is highly reliant on grant funding for the financial year ended 30 June 2017, the grant funding equalled to 65% of the municipal revenue. The service charge like refuse as well as property rates contributed 30% to the total revenue of the Municipality in 2016/2017 financial year.

The municipality is looking into implementing the revenue enhancement strategy with the hope that the picture above could be improved.

Operating Costs		
Detail	R	% of Opex
Employee Cost incl Cllr Remuneration	78 979 863	38%
Repairs and Maintenance	4 697 873	2.3%
Finance Costs	887541	0.4%

The employee related cost to total operational cost amount to 38%, which is below the norm of 40%, allowed. The repairs and maintenance cost is at 2.3% of OPEX and this appears to be lower than the norm due to the fact that this figure is for the materials only and the labour component is included in the employee cost line item.

The finance cost shows a 0.4% of OPEX which is within the acceptable norm.

1.4 STATUTORY ANNUAL REPORT PROCESS

No.	Activity	Timeframe
1.	Finalise the 4th quarter Report for previous financial year	31 July 2017
2.	Submit draft Annual Report to Internal Audit	
3.	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	31 August 2017
4.	Mayor tables the unaudited Annual Report	
5.	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
6.	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
7.	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	1 September – 31 October 2017
8.	Municipality receives and start to address the Auditor General's comments	30 December 2017
9.	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
10.	Audited Annual Report is made public and representation is invited	
11.	Oversight Committee assesses Annual Report	
12.	Council adopts Draft Oversight report	20 January 2018
13.	Draft Oversight report is made public	
14.	Draft Oversight report is submitted to relevant provincial councils	
15.	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	25 January 2018
16.	Annual Report and Oversight report presented to Council for adoption	31 March 2018

1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

The key challenge that the municipality has is with the attraction and retention of the skill of senior management or S54/S56, however, the municipality has managed to all five (5) critical posts, namely, Director Corporate Services, Director Technical Services, Director Community Service, Chief Financial Officer and the Municipal Manager.

It is also worth noting that the contract of 4 of the S54/S56 Managers expired on the 31 May 2017, leaving only one Director. Four of the S54/S56 post were filled with acting appointments from 01 June 2017.

1.6 AUDITOR GENERAL REPORT

The municipality in the 2016/2017 financial year unfortunately received a qualified audit opinion which remained unchanged when looking at the 2015/2016 financial year.

The qualification matter for 16/17 was the same as in the previous financial period and that being the non-approved Indigent Register.

CHAPTER 2 – GOVERNANCE

INTRODUCTION TO GOVERNANCE

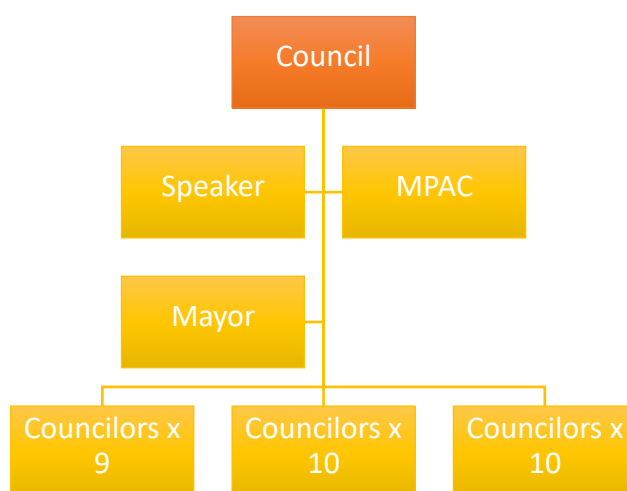
uPhongolo Municipality is one of the five (5) municipalities under Zululand District Municipality. The municipality has fifteen (15) wards and most are rural. The municipality has a Council of 29 Councillors. As part of ensuring accountability and clean administration five Portfolio Committees have been established in terms of section 80, of the Municipal Structures Act 117 of 1998.

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

The Council play its oversight through established committees, which sit on monthly basis for a purpose of checking whether departments are able to implement resolutions which have been taken by Council.

2.1 POLITICAL GOVERNANCE

POLITICAL STRUCTURE



Municipal Councillors 2016/2017



Cllr B.C Nhlabathi – ANC (PR)
Hon Mayor – EXCO Member



Cllr B Mvelase – ANC (Ward 10)
Hon Deputy Mayor – EXCO Member



Cllr V.G Masuku – ANC (PR)
Hon Speaker



Cllr F.F Simelane – Independent
(Ward 1)



Cllr D.M Nkabanjani – DA (PR)



Cllr J.C Theron – DA (PR)



Cllr N.J Mkhwanazi – ANC
(Ward 2)



Cllr S.R Ntshangase – EFF (PR)



Cllr N.T Mavimbela – ANC
(Ward 5)



Cllr C.B Ndlangamandla – ANC
(Ward 8)



Cllr M.P Khumalo – ANC
(Ward 7)



**Cllr S.V Ndlangamandla – ANC
(Ward 12)**



**Cllr N.E Nxumalo – ANC (Ward
14)**



**Cllr P.S Ntshangase – ANC
(Ward 3)**



Cllr J.S Myeni – ANC (Ward 15)



**Cllr I.A Stokfeer – ANC
(Ward 11) Exco Member**



Cllr B.C Gumbi – ANC (Ward 9)



Cllr D Nyawo – ANC (Ward 13)



Cllr N Mntungwa – ANC (PR)



Cllr J.W Buthelezi – IFP (PR)

Cell : 073 376 6738



Cllr Z Khumalo – IFP (PR)

Cell : 071 169 5750



Cllr M S Masuku – IFP (PR)

Cell : 083 505 9088



Cllr V.M Sikhosana – IFP (PR)

Cell : 079 723 7577



Cllr R.B Shongwe – IFP (PR)

Cell : 073 143 9051



Cllr G.H Mpanza – IFP (PR)

Cell : 071 799 1086



Cllr K.E Nxumalo – IFP (PR) Exco Member

Cell : 076 811 3136



Cllr N.P Mavuso – IFP (Ward 6)

Cell : 083 687 9670



Cllr J.W Buthelezi – IFP (Ward 4) Exco Member

Cell : 073 376 6738



Cllr A.Z Thabethe – IFP (PR)

Cell : 071 312 2244

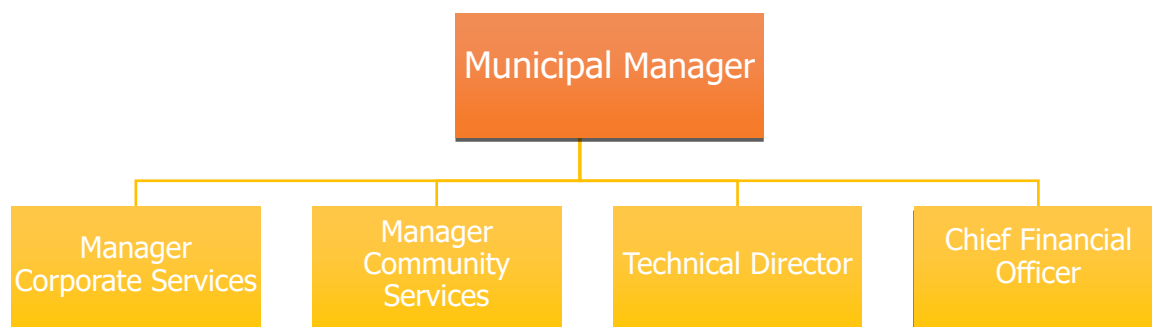
2.2 ADMINISTRATIVE GOVERNANCE

Senior
personnel;

Municipal Manager (Mr MM Ndlela), Chief Financial Officer (Mr R Mthethwa), Director Technical Services (Mr NFT Buthelezi), Director Corporate Services (Mr MW Nxumalo) and Director Community Services (Mr FS Msezane).

Management Committee comprises of the following

From 01 June 2017 the post of the Municipal Manager was vacant including the post of the Chief Financial Officer, Director Technical Services and Director Community Services. Mr M W Nxumalo was the Acting Municipal Manager from 01 June 2017.



COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.3 INTERGOVERNMENTAL RELATION

Municipality maintains healthy relations with all government entities. Most Government structures are always ready to assist when required. It must be mentioned that COGTA provides the most valuable support to this Municipality through regular meetings; finance for certain projects, training of personnel and placements of critical personnel when necessary. It also engages with the district Municipality especially on sanitation and water services. It must be mentioned however, that we currently have a huge backlog in that particular department and we have initiated talks with the district municipality in order to resolve them.

The Municipality also works with different departments in co-ordinating izimbizo and service delivery. The Municipality looks forward to working with the department of education in its endeavours to build sport facilities that can be utilised towards racial integration, as well as the department of rural development to unlock the land potential for our growth in the near future.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.4 PUBLIC MEETINGS

Despite the legislative imperative, local government is, by essence, obliged to maintain effective communication with the communities. Likewise, the communities have a responsibility to participate

and be involved in the affairs of the municipality. At uPhongolo local Municipality, engagement with communities is ensured through the following structures and mechanisms:

- IDP and budget road shows
- Council meetings where we want to start including traditional leaders participation
- Mayoral Izimbizo
- Print media newsletters, letters and notices for tendering and appointments
- Electronic media, notably the website and the municipal video system
- Open door policy which allows communities that are disgruntled to walk in and lodge their complains with the relevant officials

The effect by the municipality to engage our key stakeholders was rewarded by Cogta in a form of an award for the Public Participation certificate in the 2016/2017 financial year.

The annual report which is tabled before Council is found on the website and distributed to communities.

2.5 IDP PARTICIPATION AND ALIGNMENT

The Municipal Manager has a delegated responsibility from the Mayor, to prepare the IDP for the Municipality. During the IDP review, the following key elements were addressed within the confines of the approved IDP Process Plan and Framework Plan:

- Comments were received from the various role-players in the assessment of the IDP Review documentation.
- Certain elements of the IDP were reviewed in terms of Council's new priorities, including the Spatial Development Framework.
- New information was included.
- The IDP was aligned with newly completed Sector Plans

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	

COMPONENT D: CORPORATE GOVERNANCE

2.6 RISK MANAGEMENT

Although all managers and employees are responsible for risk management in their own areas, the municipality has a Manco Risk committee to address this important task. The Manco Risk committee reports to the Audit Committee on a quarterly basis.

The Annual Risk assessment was successfully completed in June 2016 with the assistance of KZN Provincial Treasury Internal Audit Unit. This process was of critical importance as the Internal Audit is required by the MFMA to plan the audit coverage to address the risks identified through the risk management processes developed and maintained by management, therefore the risk assessment

process and the internal audit planning process are aligned so that timely and relevant risk information is available to internal audit when they are devising their audit coverage plans.

The municipality's risk assessment procedures resulted in the following top 5 risk being identified:

RISK 01. BUSINESS PROCESS: BUILDING CONTROL

RISK 02. FINANCIAL MANAGEMENT: BILLING AND COLLECTION

RISK 03. ENVIRONMENTAL MANAGEMENT: WASTE MANAGEMENT

RISK 04. STRATEGIC LEADERSHIP: INTEGRATED DEVELOPMENT PLANNING

RISK 05. BUSINESS PROCESS: LEGAL SERVICES

2.7 ANTI-CORRUPTION AND FRAUD

The Municipality has developed a strategy to detect corrupt and fraudulent activities and has managed to implement this strategy effectively this financial year. The public is encouraged to report suspected corrupt activities by using the hotline number 0800 701 701 which is monitored by independent parties.

On all other matters reported by Internal audit and the Auditor – General as audit finding, the municipality has developed an Audit Action Plan to address all issue. MPAC is also meeting as required and carrying out an oversight role and assisting Council by investigating all cases referred to it.

The Audit Committee is also in-place which comprises of 4 members who are highly qualified and all of them are external. The committee met eight (8) times in this financial year.

The Fraud prevention strategy was approved by Council and is being implemented. We also have instituted an enterprise risk management framework which also includes the risk management policy.

The strategy involves;

- Surprise audits by the internal audit unit
- Post transactions review
- Forensic data analysis performed by the KZN forensic services were necessary
- Management Accounting report review
- Annual Fraud Risk Assessment

2.8 SUPPLY CHAIN MANAGEMENT

The Municipal supply chain section is now headed by the SCM Manager with proper experience. This is an improvement as the post of the SCM Manager was vacant for more than a year.

The SCM policy is being used to comply with the MFMA s112 requirement and is reviewed yearly with the last review having being done on the 26 May 2017 and adopted by Council on the said date.

The major challenge noted in implementing the principles of s112 of the MFMA is the lack of early detection system of persons who are employees of government institutions which results in Auditor General Findings.

Due to the geographic location of the Municipality and the economic condition of uPhongolo, there is a low selection base of suppliers which has cause the municipality to have large deviations due to sole suppliers of services or goods in the area.

No major long term contract exist other than the Finance of Plan and vehicles from Standard Bank . This contract expires on the 31st January 2021. For Details of the largest contracts see Appendix H

2.9 WEBSITE

Section 75 of the MFMA enlists the type of documents that should be posted on the municipal website, namely:

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's / Entity's Website	Yes / No	Publishing Date
Current annual and adjustments budgets and all budget-related documents	Yes	
All current budget-related policies	Yes	
The previous annual report (2015/2016)	Yes	
The annual report published/to be published	Yes	
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 2016/2017) and resulting scorecards	Yes	
All service delivery agreements (2016/2017)	-	N/A
All long-term borrowing contracts (2016/2017)	Yes	
All supply chain management contracts above a prescribed value (R 200 000 value) for 2016/2017	yes	
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2014/2015	-	N/A
Contracts agreed in Year 2015/2016 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	-	N/A
Public-private partnership agreements referred to in section 120 made in 2016/2017	-	N/A
All quarterly reports tabled in the council in terms of section 52 (d) during 2016/2017	Yes	

uPhongolo Municipality regularly updates the website with all relevant information to improve the stakeholder's access to information also to give effect to the requirement of section 75 of the MFMA.

The public can access all the prescribed documents on the Municipal's official website: www.uphongolo.gov.za . All the municipal libraries have being fitted with public computers with internet access to make it easy for the public to have access the Municipal information. The Municipality has also developed a new website where the public may also access all prescribed documents.

2.10 MUNICIPAL OVERSIGHT COMMITTEES

All the oversight committees are in place and met regularly as per their scheduling. These are MPAC and Audit Committee.

CHAPTER 3 – SERVICES DELIVERY PERFORMANCE

INTRODUCTION

uPhongolo Local Municipality has five service departments namely the Municipal Manager's office, Finance Department, Technical department, Community Services Department and the Corporate Services department. This chapter will focus on service delivered on a service-by-service basis. The Corporate services section will be dealt with in more detail in chapter 4 while more details on the financial performance will be attended to in chapter 5.

The methodology applied here will be tracing the IDP objectives by key performance areas (community needs and resource deployment) for 2016/2017 from vote all the way through to current status highlighting performance attained on those objectives.

3.1 ANNUAL PERFORMANCE INFORMATION

Introduction

The municipal performance management system a tool legislated to assist in implementing the IDP of the Municipality and the annual budget (operational and Capital). It is essentially a summary of all the needs of the community and organisation as well as other compliance requirements for the year under review which have been prioritised.

The Municipal Finance Management Act defines the Services Delivery and Budget Implementation plan (SDBIP) as the including the following components.

- a) projections for each month of: -
 - (i) revenue to be collected, by source; and
 - (ii) operational and capital expenditure by, vote
- b) service delivery targets and performance indicators for each quarter; and
- c) any other matters that may be prescribed, and includes any revisions of such plan by the mayor in terms of section 54(1)(c).

This Annual Performance Report therefore prepared in terms of Section 46 of the Municipal Systems Act and it seeks to report on the implementation of the SDBIP or the IDP priorities for the year under review.

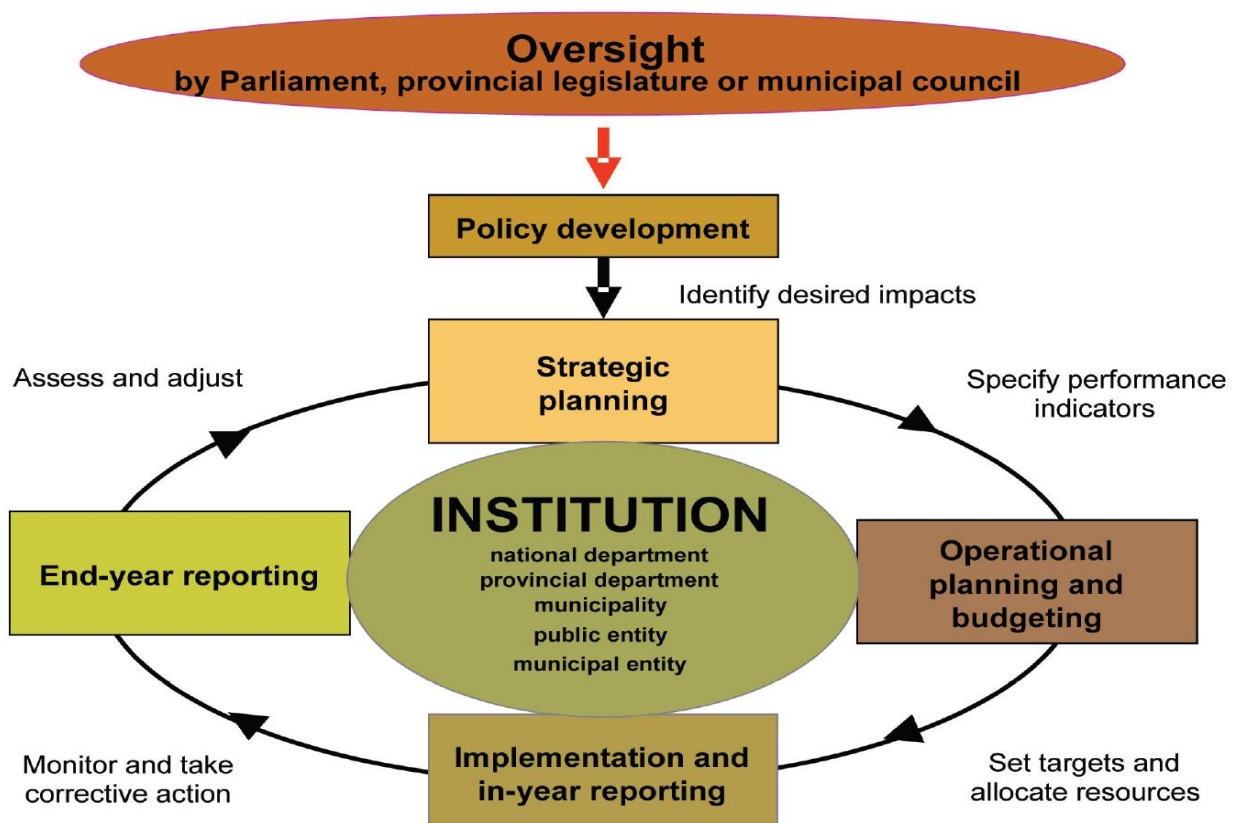
Summary

The summary presented, shows the high level of the achievement of performance measures included in the IDP for 2016/2017. These priority measures constitute the Municipal Scorecard for the 2016/2017 financial year starting from 01 July 2016 and ending on the 30 June 2017.

Performance Management Process

The guiding document in the Performance Management System (PMS) process is the approved PMS framework and Policy which are aligned to the Planning and Performance Management Regulations as well as the Appointment and Conditions of Employment of Senior Managers Regulation.

The high level process cycle of the Performance Management System can be summarised in a form of the diagram that follows:



Administration of the Municipal Performance Management System

The Municipality has a PMS unit which acts as the support structure for the 5 Departments (Municipal Manager's office, Budget and Treasury Unit, Technical Services, Corporate Services and Community Services) by collecting, verifying, and reporting on their performance against targets prior to sending the performance report to Internal Audit section to be audited.

The performance report are prepared and audited on the quarterly basis as per the requirement of section 45 of the Municipal Systems Act. The Annual Performance report is also prepared and is audited by the Auditor General as part of their year-end audit.

Performance and Supporting Information

The Municipal Scorecard (**Appendix 1**) approach reflects the 6 National Key Performance Areas (KPA) and local priorities and enables a wider assessment of how the municipality is performing. The performance report is based on the measures included in the Municipal Scorecard.

The performance targets contained in the Service Delivery and Budget Implementation Plan were approved by the Mayor and also adopted by Council for implementation. During the year, the performance targets were revised as part of the Mid-year reviewed and all such changes to the performance targets were also approved by Council.

The traffic light system used in the report of performance is as follows:

Blue – Performance above expectation

Green – Performance target meet

Amber – Performance target below (50% of target achieved)

Red - Performance target below (less than 50% of target an achieved)

PERFORMANCE SUMMARY FOR 2016/2017

KEY PERFORMANCE AREA 1: Municipal Institutional Development and Transformation

The contributor to this KPA is the Corporate Services Department and mostly deals with Human Resource indicators, Performance Management indicators and IDP indicators.

This KPA had an overall achieved of 66.67% . This shows a 16.67% improvement in the number of indicators that were achieved.

KPI Status	Municipal Transformation	
	2015/2016	2016/2017
Target Exceeded	6	4
Target Met (as planned)	5	10
Target Not Met (with 50% progress)	3	4
Target Not Met (with less than 50% progress)	8	3
Total	22	21
% Targets met	50%	66.67%
% Targets not met	50%	33.33%%

Performance Highlights for the 2016/2017

The Employment Equity Targets of the Municipality were improved during the year

The time taken to fill posts was improved in the year under consideration.

More Employee wellness programmes were done in 2016/2017 when comparing to the prior year.

Challenges

There is still a major challenge in the cascading of PMS to the lower levels and the sitting of the ICT Steering Committee to deal with ICT matters

Measures taken to improve Performance

The Director: Corporate Services will be engaging SALGA and other stakeholder to find ways to cascade PMS to lower levels.

KEY PERFORMANCE AREA 2: Basic Service Delivery

The overall score for this KPA is 41% for the year under review, which show an improvement of 17%. In the prior year the Municipality achieved 24% of the performance target under this KPA.

KPI Status	BASIC SERVICE DELIVERY & INFRASTRUCTURE	
	2015/2016	2016/2017
Target Exceeded	6	7
Target Met (as planned)	1	4
Target Not Met (with 50% progress)	8	4
Target Not Met (with less than 50% progress)	14	12
Total	29	27
% Targets met	24%	41%
% Targets not met	76%	59%

Performance Highlights for the 2016/2017

More infrastructure project were completed in the year under review compare to prior year. This includes RDP houses, Community Hall, Sport fields and Crèches

Challenges

The municipality relies more on contractors and consultants in delivering the projects and where the said service provider's performance is poor, the whole project gets delayed.

The municipality is still having a challenge in finalising other critical plans which includes the Housing Sector Plan and the Local Waste Plan

Measures taken to improve Performance

The project management unit will be monitoring infrastructure more closely to ensure that quality work is done and the projects are completed with planned timeframes.

KEY PERFORMANCE AREA 3: Local Economic Development

The overall score for the Local Economic Development KPA is at 65%. This is an improvement of 5% in the overall performance when comparing to the prior year.

KPI Status	LOCAL ECONOMIC DEVELOPMENT	
	2015/2016	2016/2017
Target Exceeded	5	4
Target Met (as planned)	4	13
Target Not Met (with 50% progress)	4	5
Target Not Met (with less than 50% progress)	2	4
Total	15	26
% Targets met	60%	65%
% Targets not met	40%	35%

Performance Highlights for the 2016/2017

More jobs were created under the EPWP, CWP and other labour intensive capital project.

Various Special program events were also organised under this KPA within the category of Women, Youth, HIV/Aids, Disability and more.

Challenges

Some LED project were under funded during the year with resulting in funds running out before completion.

Measures taken to improve Performance

The LED strategy will be reviewed as well as the Tourism Strategy to give more direction in improving Local Economy of uPhongolo

KEY PERFORMANCE AREA 4: Good Governance and Public Participation

The overall score is 52%. This KPA indicates a drop by 3% in the over-all performance when comparing to the prior year.

KPI Status	GOOD GOVERNANCE, COMMUNITY PARTICIPATION AND WARD COMMITTEE SYSTEMS	
	2015/2016	2016/2017
Target Exceeded	2	1
Target Met (as planned)	9	11
Target Not Met (with 50% progress)	3	6
Target Not Met (with less than 50% progress)	6	5
Total	20	23
% Targets met	55%	52%
% Targets not met	45%	48%

Performance Highlights for the 2016/2017

Ward committees appointed and fully functioning in all 15 wards

Community meetings conducted by the ward Councillor exceeds the quarterly projections.

The internal audit plan for the year was executed and completed

Challenges

The municipality received a qualification in 15/16 due to the fact that the indigent register was not approved.

New councillors were not trained in 16/17

Measures taken to improve Performance

The verification of indigent applications to be done and final indigent register to be adopted by Council.

To finalise the skills audit of Councillors and train them on appropriate skills

KEY PERFORMANCE AREA 5: Municipal Financial Viability and Management

The overall score for this KPA is 30%. This indicates a drop by 20% when comparing to prior year where 50% of the performance targets were achieved.

KPI Status	FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT	
	2015/2016	2016/2017
Target Exceeded	2	0
Target Met (as planned)	7	6
Target Not Met (with 50% progress)	3	9
Target Not Met (with less than 50% progress)	6	5
Total	18	20
% Targets met	50%	30%
% Targets not met	50%	70%

Performance Highlights for the 2016/2017

Staff cost was also contained with the acceptable threshold of 40%

Challenges

The revenue growth for the year was lower than expected.

Collection of debtors is still a challenge as debtor's day as it was at 315 days by 30 June 2017.

The cost coverage ratio is below the norm as it was sitting at 0 Months by 30 June 2017.

Finalising and approving the indigent register to enable the provision of free basic services was still a challenge.

Measures taken to improve Performance

Debtor collectors contract will not be renewed and the debtor collection will be done in-house

To implement the revenue enhancement strategy in order to improve the revenue generation and collection.

To finalise and approve indigent register for the provision of free basic services.

KEY PERFORMANCE AREA 6 : Cross-Cutting Interventions

The KPA did not have any achievement of target out of the 7 key performance indicators (KPI) for 16/17. The majority of KPIs in 2015/2016 relating to special programmes were moved to Local Economic Development KPA. This resulted in only 7 target remaining as compared to 22 in the prior year.

KPI Status	CROSS CUTTING INTERVENTIONS	
	2015/2016	2016/2017
Target Exceeded	6	0
Target Met (as planned)	3	0
Target Not Met (with 50% progress)	1	1
Target Not Met (with less than 50% progress)	7	6
Total	22	7
% Targets met	53%	0%
% Targets not met	47%	100%

Performance Highlights for the 2016/2017

None

Challenges

Process to implement SPLUMA not at the required level due to the non-existing post of the Development and Planning Head of Department.

The Housing Sector plan, Environmental Management Plan and other plans were not finalised in 16/17 due to financial constraints.

Measures taken to improve Performance

Organisational Structure to caters for the Development and Planning Head of Department

DETAILED 2016/2017 ANNUAL PERFORMANCE PLAN PER KEY PERFORMANCE AREA

KEY PERFORMANCE AREA 1: Municipal Institutional Development and Transformation

FINAL ANNUAL PERFORMANCE REPORT FOR THE YEAR ENDED 30 JUNE 2017

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015				Wards - (Planned, In-progress & Completed 16/17)	BUDGET		2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance
								Demand	Baseline	Backlog	Vote #		Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target	Actual		
Org 1	MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT	To increase employee capacity by a minimum of 10% each year.	Create a balance between employee productivity, welfare and capacity building	Develop and Implement a Work Skills Plan	Prepare and submit a WSP	Date the Work Skills Plan submitted	Date	30-Apr							30-Apr	29-Apr	30-Apr	May-17	Achieved	
Org 2					Training and development of staff	Number of staff who attended training against Skills development plan	Number	All employees	40		8454		1 739 153	1 339 153	120	170	150	118	Not Achieved	Skills audit to be undertaken and final report used to capacitate officials
Org 3		To maintain a SMART Organisational Performance Management System to ensure Planning, Monitoring reporting and evaluation of municipal performance	To maintain a SMART Organisational Performance Management System to ensure Planning, Monitoring reporting and evaluation of municipal performance	Compilation of quarterly performance reports to council & performance audit committee	PMS policy and framework reviewed and adopted by council	Date PMS policy Reviewed and adopted	Date	30-Jun			8402		218 311,00	218 311	30-Jun	PMS Policy not adopted	30-Jun	27-Jun	Achieved	
Org 4					Overall organisation performance monitored and recorded.	Number of Organisational performance reports submitted to Council (Council Agenda)/Performance Audit Committee	Number	4							4	4	4	4	Achieved	
Org 5					Performance audit committee meeting quarterly.	Number of Performance Audit committee meetings held	Number	4							4	4	4	4	Achieved	

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015				Wards - (Planned, In-progress & Completed 16/17)	BUDGET		2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance	
								Demand	Baseline	Backlog	Vote #		Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target	Actual			
Org 6	MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT	To increase employee capacity by a minimum of 10% each year.	To maintain a SMART Organisational Performance Management System to ensure Planning, Monitoring reporting and evaluation of municipal performance	Cascade PMS to one lower level each year	Cascade PMS to lower levels	Date performance targets for middle management finalised and aligned to job descriptions	Date	31-Jul							31-Jul	Not done	31-Jul	Not achieved	Not Achieved	To engage Cogta & Salga for assistance in implementing the PMS to lower levels	
Org 7					Section 54/ 56 Managers Performance Contracts and agreements signed and aligned to IDP.	Date section 54/56 contracts signed (current appointments only)	Date	31-Jul							31-Jul	30-Jul	31-Jul	29-Jul	Achieved		
Org 8				Development & submission of the Annual Performance Reports	Preparation, approval and publication of Annual Report done on time.	Date annual report finalised and Tabled.	Date	31 Jan & 31 March							31 Jan and 31 March	30-Mar-16	31 Jan & 31 March	25 Jan & 27 March	Achieved		
Org 9			To provide an effective and efficient IT and Communication service to all Municipal units	Safely provide access to email and internet to improve efficiency in operations.	Development & Review of an ICT Master Systems Plan.	Review & adopted I.T. Security Policy	Date	30-Mar			2010/ 8321					30-Mar	Not done	30-Mar	07-Dec	Achieved	
Org 10					ICT Steering committee.	Number of ICT steering committee meetings held	Number	4							4	2	4	0	Not Achieved	New Director of Corporate Services to be the Chairperson of the committee	

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015				Wards - (Planned, In-progress & Completed 16/17)	BUDGET		2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance
								Demand	Baseline	Backlog	Vote #		Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target	Actual		
Org 11	MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT	To increase employee capacity by a minimum of 10% each year.	To promptly employ a highly effective workforce which is a representative of the Municipalities demographic profile.	Compliance with Employment Equity Act	Employment equity plan adopted and implementation	% of African employeeed	%	40%							40%	97,37	40%	97,35%	Achieved	
Org 12						% of Indian/Asian employeeed	%	0,10%							0,10%	0,37	0,10%	0,38%	Achieved	
Org 13						% of Whites employeeed	%	0,50%							0,5%	2,25	0,50%	2,27%	Achieved	
Org 14						% of Females employeeed	%	50%							50%	42,07	50%	42,05%	Not Achieved	New EPWP intake to fully comply with EPWP MOU
Org 15						% of employees with Disability	%	2%							2%	0,75	2%	0,76%	Not Achieved	New EPWP intake to fully comply with EPWP MOU
Org 16				Develop and Implement succession planning on all critical & scarce skills posts	Organogram reviewed and adopted by councils	Date organogram reviewed	Date	30-Jun			8420		106 600,00	26 600	30-Jun	N/A	30-Jun	26-May	Achieved	
Org 17				All critical posts to be filled within 3months	Selection and appointment done timeously	Average turn-around time to finalise the appointment (Advertisement to Appointment)	Number in days	>90 days			7902-7905, 7921, 7924-7927, 7931-7936		51 395 507		>90 days	203	> 90 days	89 DAY (AVE)	Achieved	

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015				Wards - (Planned, In-progress & Completed 16/17)	BUDGET		2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance
								Demand	Baseline	Backlog	Vote #		Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target	Actual		
Org 18	MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT	To increase employee capacity by a minimum of 10% each year.	To improve Citizens Skills levels and Education	Review Bursary Policy and align with government priorities	Provide training and education funding to communities	Budget amount spent in awarding bursary /learnership	Number	656660			8470 & 8471		R 650 000	R 650 000	650000	183769	650000	R 224 046	Not Achieved	Adverts for Bursary to be issued timeously each year
Org 19				Review Mayor Bursary Policy	Date Mayor Bursary policy reviewed		Date	30-Jun	30 - Jun	-					-	-	31-Dec	Not achieved	Not Achieved	Reviewed Bursary Policy to be take to Council for adoption
Org 20			Ensure Institutional of Batho Pele Culture and Principles	Development of a full-fledged Customer Service Relation	Monitor Customer complains	Number of Quarterly Customer complains report prepared	Number	4							-	-	4	4	Achieved	
Org 21			Ensuring compliance with the Occupational Health and Safety Act and Compensation for occupational injuries and diseases	Implement EAP programs that promote and support health and well-being of employees	Implement the Employee wellness Program	Number of Employee wellness programmes/events held	Number	2			8415				4	3	4	9	achieved	

KEY PERFORMANCE AREA 2: Basic Service Delivery

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET				2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance
								Demand	Baseline	Backlog	Vote #	Wards - (Planned, In-progress & Completed during 16/17)	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target	Actual		
Org 22	BASIC SERVICE DELIVERY & INFRASTRUCTURE	To ensure that every household has access to basic services by 2030; To ensure that Pongola is kept clean habitable, safe and healthy; Accessible and well maintained road infrastructure	Ensure provision of Electricity/alternative energy in a sustainable manner	To provide an efficient and cost effective electricity distribution or alternative energy to all mandated areas in Phongolo.	Households having access to basic electricity increased annually (Eskom license area + Municipal license area)	Number (and percentage) of existing consumer units with access to electricity	Number	28772	15936	12836	DOE & Cogta	1-15	R 24 861 000	22 927 890,00	21873	24459	21873	24809	Achieved	
Org 23						%	100%	55%	45%	76,00%					85%	76,0%	86,2%	Achieved		
Org 24						Number (and percentage) of new consumer units with access to electricity	Number	28772	810	9236	DOE & Cogta	1-15			922	491	922	347	Not achieved	To obtain approval from Eskom to use old meters to complete pending connections
Org 25						%	100%	68%	32%	3,20%					1,71%	3,2%	1,2%	Not achieved	To obtain approval from Eskom to use old meters to complete pending connections	
Org 26			To control waste management including water contamination	Ensure that all refuse is timeously removed from source to waste management center	Improve access to refuse Removal	Number (and percentage) of existing consumer units with access to refuse removal at least once per week	Number	28 772	3918	24 854	8005	2,11,5, 14	15 669 385	15 299 990,00	4114	4365	4114	4364	Achieved	
Org 27							%	100%	14%	86%					14%	15,20%	14,3%	15,2%	Achieved	

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET				2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance
								Demand	Baseline	Backlog	Vote #	Wards - (Planned, In-progress & Completed during 16/17)	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target	Actual		
Org 28	BASIC SERVICE DELIVERY & INFRASTRUCTURE	To ensure that every household has access to basic services by 2030; To ensure that Pongola is kept clean habitable, safe and healthy; Accessible and well maintained road infrastructure	To control waste management including water contamination	Ensure that all refuse is timeously removed from source to waste management center	Improve access to refuse Removal	Number (and percentage) of new consumer units with access to refuse removal at least once per week	Number	28 772	3918	24 854	2, 11, 5, 14				200	13	200	0	Not achieved	To finalise the procurement of the new refuse tuck
Org 29						%		100%	14%	86%					4.9	0,4%	4,9%	0,0%	Not achieved	To finalise the procurement of the new refuse tuck
Org 30				Develop & implement local waste plan	Local waste plan developed/ reviewed	Date Local Waste Plan developed	Date	30-Sep					15 669 385	15 299 990,00	30 Sep	15-Dec	30-Sep	Not achieved	Not achieved	New Director of Community Services to take charge of the preparation & implementation of the Local Waste Plan
Org 31					Report on progress on Local Waste Plan	Date the report on Implementation of Local Waste plan presented	Date	30-Jun							30-Jun	Not done	30-Jun	Not achieved	Not achieved	New Director of Community Services to take charge of the preparation & implementation of the Local Waste Plan
Org 32			Ensure provision of Electricity/alternative energy in a sustainable manner	To provide an efficient and cost effective electricity distribution or alternative energy to all mandated areas in Phongolo.	Provision of Free Basic Services	Approved Indigent Register	Date	01-Jul			8476	1-15	R 4 947 964	4 947 964,00	30-Sep	Not done	30-Sep	Not achieved	Not achieved	To finalise the preparation and approval of the Indigent register in 17/18

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET				2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance
								Demand	Baseline	Backlog	Vote #	Wards - (Planned, In-progress & Completed during 16/17)	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target	Actual		
Org 33	BASIC SERVICE DELIVERY & INFRASTRUCTURE	To ensure that every household has access to basic services by 2030; To ensure that Pongola is kept clean, habitable, safe and healthy; Accessible and well maintained road infrastructure	Ensure provision of Electricity/alternative energy in a sustainable manner	To provide an efficient and cost effective electricity distribution or alternative energy to all mandated areas in Phongolo.	Provision of Free Basic services	Number of households with access to free basic electricity	Number	All Indigent residents	3000		1 - 15				3000	1993(ave)	5000	1249 (Ave)	Not achieved	To implement the new Indigent register in the 17/18 financial year
Org 34							%	100%	10%						10,0%	6,9%	17%	4%	Not achieved	To implement the new Indigent register in the 17/18 financial year
Org 35			To provide safe, adequate and habitable housing that is closer to amenities	Improve community standard of living through accelerated development of houses in rural areas through improved intergovernmental relations with the Department of Human Settlements	Improve access to adequate shelter	Date Housing Sector Plan approved	Date	30-Jun			DHS	1-15			30-Jun	Housing sector plan to be reviewed	30-Jun	Not achieved	Not achieved	To budget for the development of the Housing Sector Plan in 17/18
Org 36						Date Land audit completed	Date	30-Jun			84192 &10				31-Mar	In progress	31-Mar	Not achieved	Not achieved	To budget for the Land Audit project in 17/18
Org 37						Number of new housing units constructed and completed	Number	28772	22836	5936	DHS	10, 2			350	308	90	91	Achieved	

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET				2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance
								Demand	Baseline	Backlog	Vote #	Wards - (Planned, In-progress & Completed during 16/17)	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target	Actual		
Org 38	BASIC SERVICE DELIVERY & INFRASTRUCTURE	To ensure that every household has access to basic services by 2030; To ensure that Pongola is kept clean habitable, safe and healthy; Accessible and well maintained road infrastructure	To provide safe, adequate and habitable housing that is closer to amenities	Improve community standard of living through accelerated development of houses in rural areas through improved intergovernmental relations with the Department of Human Settlements	Identify and acquire land for development	Date Acquisition of land has been approved by all parties	Date	30-Jun			Capex				30-Jun	Not done	30-Jun	In-progress	Not Achieved	To engage the Department of Human Settlement for assistance in acquiring the land for future housing development
Org 39				Implement access roads and storm water drains development and maintenance as per master plan	Improve accessibility in rural areas	Number (in Kilometres) of new gravel access roads constructed	km	All wards without access roads	16		MIG	3,6,9,8,14	9.4 mil	R 17 981 000	8km	3,7	12,9	13,84	Achieved	
Org 40			To make all communities in uPhongolo accessible through the provision and maintenance of Access roads and storm water drains	Implement ad hoc maintenance for both gravel and tarred surfaces in rural, urban and township as per maintenance plan	Repairs to potholes per plan and complains	m2 of repairs to potholes on urban tarred road	m2	All			8095	11, 2,10	R 4 871 194	4 371 194,00	800m2	1726,46	1000	1716	Achieved	
Org 41					Tarred roads maintained as per maintenance plan.	Km of tarred roads maintained	km	43				11,2, 10			8km	4.1km	2	1,5	Not Achieved	To engage service providers on the maintenance of tar roads to be on a longer contract term

NO.	NATIONAL KEY PERFORMANCE AREAS Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET				2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance
							Demand	Baseline	Backlog	Vote #	Wards - (Planned, In-progress & Completed during 16/17)	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target	Actual		
Org 42	BASIC SERVICE DELIVERY & INFRASTRUCTURE To ensure that every household has access to basic services by 2030; To ensure that Pongola is kept clean habitable, safe and healthy; Accessible and well maintained road infrastructure	To provide safe, adequate and habitable housing that is closer to amenities	Implement access roads and storm water drains development and maintenance as per master plan	All municipal gravel roads maintained as per plan.	Number (in Kilometres) of gravel road bladded	km	1600	960			1-15			200km	113	200	493	Achieved	
Org 43			Clear all verge in storm water drains in CBD and township through EPWP	Storm water drains and verges maintained monthly.	m2 of Storm water drains maintained	m2	All	18000		8091	1-15	R 518 322	R 1 018 322	12000m2		12000	17028	Achieved	
Org 44		Ensure the optimal use, maintenance and equitable development of communal and Public Facilities	Equitably provide sporting facilities and community halls on the one ward one hall; one ward one sporting field principles	Construction of new community halls	Number of community halls constructed & completed	Number	14 (1 per ward)	3	11	MIG	9,4,6		R 5 000 000	2	0	3	1	Not Achieved	To fast track projects under construction and monitor progress closely
Org 45				Construction of new pre-schools/crèches	Number of pre-schools/crèches constructed & completed	Number		3		MIG	3, 13, 10		R 3 129 000	4	0	2	3	Achieved	
Org 46				Construction of new sport facilities	Number of sports facilities completed	Number		3		MIG	10, 14 & 8		R 3 000 000	3	0	2	2	Achieved	
Org 47				Implement projects and monitor progress throughout	% of capital projects completed on time	%	100%			MIG & Capital projects	1-15	R 40 779 000	R 40 779 000,00	100%	0%	100%	28%	Not Achieved	To fast track projects under construction and monitor progress closely

NO.	NATIONAL KEY PERFORMANCE AREAS Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET				2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance
							Demand	Baseline	Backlog	Vote #	Wards - (Planned, In-progress & Completed during 16/17)	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target	Actual		
Org 48	BASIC SERVICE DELIVERY & INFRASTRUCTURE To ensure that every household has access to basic services by 2030; To ensure that Pongola is kept clean habitable, safe and healthy; Ensure the optimal use, maintenance and equitable development of communal and Public Facilities		Equitably provide sporting facilities and community halls on the one ward one hall; one ward one sporting field principles	Implement projects and monitor progress throughout	% of capital projects started on time (current year projects only-cummulatively)	%	100%			MIG & Capital projects	1-15	R 40 779 000	R 40 779 000,00	100%	0%	100%	50%	Not Achieved	Project Implementation plans to be developed based on realistic dates and their implementation monitored regularly

KEY PERFORMANCE AREA 3: Local Economic Development

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET				2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance
								Demand	Baseline	Backlog	Vote #	Wards - (Planned, In-progress & Completed)	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target	Actual		
Org 49	LOCAL ECONOMIC DEVELOPMENT	A more equitable society, a more inclusive economy based on food security, self-sustenance and grounded on our comparative advantages	Creation of sustainable jobs	Create employment opportunities through labour intensive schemes	Jobs created through EPWP	Total number of jobs created and sustained for the year	Number		150		8431	1-15	3021000	3021000	120	138	78	91	Achieved	
Org 50						% of Youth employed	%								90%	76%	90%	89%	Not Achieved	New EPWP intake to focus on Youth more as per the MOU
Org 51						% of Women employed	%								50%	41%	50%	58%	Achieved	
Org 52						% of Disabled employed	%								2%	1%	2%	2%	Achieved	
Org 53					Jobs created through CWP	Number of Jobs Created Through CWP (cumulatively)	Number								900	1023	1000	1034	Achieved	

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET				2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance
								Demand	Baseline	Backlog	Vote #	Wards - (Planned, In-progress & Completed during 16/17)	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target	Actual		
Org 54	LOCAL ECONOMIC DEVELOPMENT	A more equitable society, a more inclusive economy based on food security, self-sustenance and grounded on our comparative advantages	Creation of sustainable jobs	Create employment opportunities through labour intensive schemes	Jobs created through LED initiatives incl Capital Projects	Number of Jobs Created Through LED Initiatives incl Capital Projects (cumulatively)	Number								235	380	170	152	Not Achieved	More labour intensive project to be undertaken within the Municipality to decrease the unemployment rate.
Org 55				Formalization and training of cooperatives & SMMEs	Support of local businesses	Number of Co-ops members and SMME's employees/owners trained	Number				5015				300	595	200	171	Not Achieved	Assistance to be obtained from other stakeholder for the training of SMME's & Co-Ops
Org 56					LED Seminars and summits.	Number of business seminars and summits coordinated	Number	2					7 091 801	7 539 736,00	4	4	2	5	Achieved	

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET				2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance
								Demand	Baseline	Backlog	Vote #	Wards - (Planned, In-progress & Completed during 16/17)	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target	Actual		
Org 57	LOCAL ECONOMIC DEVELOPMENT	A more equitable society, a more inclusive economy based on food security, self-sustenance and grounded on our comparative advantages	Increase the number of visitors to uPhongolo through integrated and targeted marketing	Develop and revive tourism hubs and zones within uPhongolo	Developm ent of LED infrastructure projects – Cogta funded	Number of planned LED infrastructure projects completed – Cogta funded	Number				Cogta		R 0,00	R 4 768 648	2	2	2	0	Not Achieved	Uncompleted LED project to be implemented from MIG funds in following years.
Org 58					Develop more tourist attractions/hubs/sites	Number of physibility study/business plans/project plans made for future tourist sites.	Number								2	2	2	0	Not Achieved	Tourism Strategy to be reviewed in 17/18 with related plans
Org 59				Tourism promotion and facilitation	Develop/Review LED strategy	Date LED Strategy Reviewed & (aligned with the PGDS, EPWP & CWP) adopted	Date	30-Jun			8416				30-Jun	Under Implementation	30-Jun	06-Jun	Achieved	

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET				2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance
								Demand	Baseline	Backlog	Vote #	Wards -(Planned, In-progress & Completed during	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target	Actual		
Org 60	LOCAL ECONOMIC DEVELOPMENT	A more equitable society, a more inclusive economy based on food security, self-sustenance and grounded on our comparative advantages	Increase the number of visitors to uPhongolo through integrated and targeted marketing	Develop and revive tourism hubs and zones within uPhongolo	Develop/ Review Tourism strategy and align to District	Date Tourism strategy developed/ reviewed	Date	30-Jun							30-Jun	Not done	30-Jun	Golela strategy -	Achieved	
Org 61			Increase agricultural productivity	Drive Pongola tribal lands towards being South Africa’s food basket using cooperatives and subsistence farming	Assist the establishment small scale farmer in Tribal land	Number of small scale farmers assisted to start producing	Number	15			8485				14	25	15	24	Achieved	
Org 62				Develop and sustain agro-processing and sugarcane and vegetable production capabilities(SA next food security base through sustained investments in short crops, citrus farming etc)	Develop & implement the Comprehensive agricultural plan	Number of Project Report on Agro-processing hub presented to portfolio	Number	30-Jun			8416				-	-	1	1	Achieved	

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET			2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance		
								Demand	Baseline	Backlog	Vote #	Wards -(Planned, In-progress & Completed during	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target			Actual	
Org 63	LOCAL ECONOMIC DEVELOPMENT	A more equitable society, a more inclusive economy based on food security, self-sustenance and grounded on our comparative advantages	Mitigate the HIV epidemic and promote positive living	To develop and implement programmes that target high risk groups	Conduct HIV/AIDS awareness	Number of HIV / AIDS events held	Number	4				8474		R 750 000	R 692 875	4	3	4	2	Not Achieved	New Special programme support official to be responsible for planning and holding the HIV/AIDS events
Org 64				Align municipal HIV programmes to other sector department programmes	Coordinate Local Aids Council (LAC) support programmes.	Number of LAC meetings held	12					8474		R 750 000	R 692 875	4	1	4	1	Not Achieved	Meeting schedule for the LAC to be drawn in-advance for all meetings to be held for the year
Org 65			Ensure needs of Special groups are addressed	Develop and implement projects targeting the special groups.	Develop and implement Youth programmes	Number of youth events held	Number	4	4			8460		R 800 000	579 450	4	6	4	4	Achieved	
Org 66					Develop and implement Elderly support programmes	Number of elderly events held	Number	4					8428		R 300 000	R 300 000	4	5	4	5	Achieved

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET				2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance
								Demand	Baseline	Backlog	Vote #	Wards - (Planned, In-progress & Completed during	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target	Actual		
Org 67	LOCAL ECONOMIC DEVELOPMENT	A more equitable society, a more inclusive economy based on food security, self-sustenance and grounded on our comparative advantages	Ensure needs of Special groups are addressed	Develop and implement projects targeting the special groups.	Develop and Implement programmes to support People with disability	Number of Disability events held	Number				8473		R 400 000	201 950,00	4	4	4	4	Achieved	
Org 68					Design and implement Women program	Number of Women events held	Number	1			8486		500 000,00	402 892,00	1	1	1	1	Achieved	
Org 69					Design and implement Men program	Number of Men events held	Number	1			8453		R 350 000	R 250 000	1	1	1	1	Achieved	
Org 70					Design and implement Children program	Number of Children events held	Number	1			8486		R 500 000	402 892,00	1	2	4	6	Achieved	
Org 71			Reduce crime rate within uPhongolo jurisdiction	Promote neighbourhood watch group scheme.	Establish the community safety forum	Number of Community Safety Forum (CSF) meetings attended	Number	8							4	1	4	1	Not Achieved	Schedule of meetings to be drawn in advance for the meeting to be held for the whole year.

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET				2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance
								Demand	Baseline	Backlog	Vote #	Wards - (Planned, In-progress & Completed during	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target	Actual		
Org 72	LOCAL ECONOMIC DEVELOPMENT	A more equitable society, a more inclusive economy based on food security, self-sustenance and grounded on	To ensure Safer, effective and efficient system for all	Monitor and fix road markings fitness and vehicle roadworthiness through road blocks.	Road blocks conducted quarterly.	Number of road blocks conducted	Number	15			3505	11,14,2,10,5			15	27	15	10	Not Achieved	Regular road blocks to be planned and executed
Org 73				Monitor and fix road markings fitness and vehicle roadworthiness through road blocks.	Road marking done on major roads	Km's of road markings/painting done	Number in Km's	15	-						15	45,21	15	14.5	Achieved	.
Org 74					Road safety campaigns conducted	Number of road safety campaigns	Number	6							8	37	8	18	Achieved	.

KEY PERFORMANCE AREA 4: Good Governance and Public Participation

NO.	NATIONAL KEY PERFORMANCE	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET			2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance	
								Demand	Baseline	Backlog	Vote #	Wards -(Planned, In-progress & Completed during 16/17)	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target			Actual
Org 75	GOOD GOVERNANCE, COMMUNITY PARTICIPATION AND WARD	A people centered democracy that is transparent and responsive to	Promote good governance, accountability and transparency	Review of annual Internal Audit Plan	Approved and implemented Audit plan	Date Audit plan (2017/2018) approved	Date	30-Jun							30-Jun	23-Jun	30-Jun	28-Jun	Achieved	
Org 76					plan	% Audit plan Implemented or achieved	%	100%							100%	100%	100%	100%	Achieved	
Org 77				Facilitate Functionality of Audit Committee	To achieve and maintain a clean audit.	Type of audit opinion received - clean audit - best, unqualified - acceptable) Prior year AFS	Date	unqualified							Clean/unqualified	Unqualified	Clean /unqualified	Qualified Audit Opinion	Not Achieved	Audit Action Plan to be developed to address all AG findings which lead to a qualification
Org 78					Facilitate the seating of the Audit Committee	Number of Performance Audit & Audit Committee Meetings held	Number	8							-	-	8	8	Achieved	
Org 79					Annual Review of Anti-Corruption Strategy	Anti-corruption strategy adopted by council	Date Anti-corruption Strategies developed/ Reviewed	Date	30-Jun							30-Jun	Anti-corruption strategy developed but was not adopted by Council	30-Jun	Not achieved	Not Achieved

NO.	NATIONAL KEY PERFORMANCE Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET				2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance
							Demand	Baseline	Backlog	Vote #	Wards - (Planned, In-progress & Completed during 16/17)	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target	Actual		
Org 80	GOOD GOVERNANCE, COMMUNITY PARTICIPATION AND WARD A people centered democracy that is transparent and responsive to	Promote good governance, accountability and transparency	Annual Review of Anti-Corruption Strategy	Anti-corruption Strategy implemented	% reduction in the number of fraud cases year-on-year	%	-50%							-50%	N/A	-50%	50%	Not Achieved	Investigations to be undertaken and more preventative controls implemented
Org 81		Placing the primary focus on addressing the needs of communities within the municipality	Strengthening of oversight structures of council to ensure full functionality	Reports by MPAC	Number of MPAC reports submitted to council	Number								12	5	12	5	Not Achieved	New MPAC to meet on regular basis per the approved schedule of meetings
Org 82				Tracking and monitoring of Full Council and Exco Resolutions.	Number of report/updates to Council on Full Council resolutions implemented	Number	4							4	0	4	1	Not Achieved	The register of resolutions to be updated and presented to Council on a quarterly basis
Org 83				Development and implementation of the Council Calendar of meetings	Number of Full Council meetings actually held	Number	7							7	5	7	10	Achieved	

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET				2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance
								Demand	Baseline	Backlog	Vote #	Wards - (Planned, In-progress & Completed during 16/17)	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target	Actual		
Org 84	GOOD GOVERNANCE, COMMUNITY PARTICIPATION AND WARD COMMITTEE SYSTEMS	A people centered democracy that is transparent and responsive to the needs	Report regularly on the dealings of the Municipality	Publish and distribute quarterly newsletters to inform communities on progress and essential information	To ensure compilation and distribution of municipal newsletters	Number of Quarterly Newsletter published and distributed	Number	4							4	4	4	2	Not Achieved	To finalise the appointment of the service provider to publish the newsletter
Org 85				Use the websites as a reporting platform	Uploading of all the necessary documents onto the Municipality's web-site	% of required Documentation and information uploaded onto Municipal Website	%	100%							100%	76%	100%	100%	Achieved	
Org 86			To ensure effective and efficient administration complying with its Legal Mandates	Provide administrative support for all Council Committees	Provision of secretariat support services to Council meetings.	% of agenda distributed at least 3 working days before a Committee Ordinary Meeting	%	100%							100%	49%	100%	70%	Not Achieved	Committee agenda items to be prepared and delivered timeously going forward
Org 87				Strengthen Council Oversight through training on Legislation and Policies	Strengthen Council Oversight through training on Legislation and Policies	Number of Cllrs who attended training (NQF rated) against the Skills development plan	Number	29	27						24	36	29	0	Not Achieved	To finalise the skills audit of all Councillors and provide them with relevant training thereafter

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET				2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance
								Demand	Baseline	Backlog	Vote #	Wards - (Planned, In-progress & Completed during 16/17)	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target	Actual		
Org 88	GOOD GOVERNANCE, COMMUNITY PARTICIPATION AND WARD COMMITTEE SYSTEMS	A people centered democracy that is transparent and responsive to	To promote a municipal governance system that enhances and embraces the system of participatory Governance	Facilitate the Functionality of Ward Committees through continuous public participation	All wards to have a ward committee	Number of wards committees established fully factional	Number	15	14			1-15			14	14	15	15	Achieved	
Org 89					Monthly ward committee meeting	Number of meetings per ward - Ward Committee	Number	180	168			1-15	1 028 696	1 028 696,00	168	168	180	119	Not Achieved	To fast track the forming of new ward committees after each municipal election in the future.
Org 90					All Ward committee members attending meetings	Percentage of attendance by members per ward	%	90%			8458	1-15			90,0%	96%	90%	96%	Achieved	
Org 91				Development of a Credible Integrated Development plan within prescribed legislative guidelines	Development and implementation of the IDP process plan.	Date IDP process plan adopted by Council	Date	31-Aug			8427		111 717,00	300 176,00	31-Aug	11 sep	31-Aug	27-Sep	Achieved	

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET				2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance
								Demand	Baseline	Backlog	Vote #	Wards - (Planned, In-progress & Completed during 16/17)	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target	Actual		
Org 92	GOOD GOVERNANCE, COMMUNITY PARTICIPATION AND WARD COMMITTEE SYSTEMS	A people centered democracy that is transparent and responsive	To promote a municipal governance system that enhances and embraces the system of participatory Governance	Development of a Credible Integrated Development plan within prescribed legislative guidelines	DP noted and adopted by Council before 31/03 and 30/05 respectively	Date IDP submitted to Council for approval	Date adopted	30-May							30-May	30-May	30-May	27-Jun	Achieved	
Org 93				Organisation of strategic planning sessions held to revise IDP inputs, policies and organisation goals.	Number of Strategic Planning sessions held	Number	1								1	1	1	1	Achieved	
Org 94			To promote and foster sound internal and external communication	Review and implementation of communications strategy to help the organisation to communicate effectively and meet core organisation objectives	Public participation Meetings held quarterly per ward.	Number of community meetings	Number	60			8423		4 508 615	4 309 828	56	149	60	127	Achieved	
Org 95				Improve internal communication	Number of MANCO meeting held	Number	12								25	8	12	10	Not Achieved	To approve the schedule of Manco meetings and adhere to it

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET				2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance
								Demand	Baseline	Backlog	Vote #	Wards - (Planned, In-progress & Completed during 16/17)	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target	Actual		
Org 96	GOOD GOVERNANCE, COMMUNITY PARTICIPATION AND WARD COMMITTEE A people centered democracy that is transparent		To promote and foster sound internal and external communication	Facilitate functionality of IGR Structures	Attend the IGR meetings (Munimec & Technical IGR)	Number of IGR Meetings attended	Number	8							-	-	8	1	Not Achieved	To engage the District Municipality on the functionality of the IGR meetings
Org 97			To ensure that the risk maturity of the organisation is at an enabled level (risk management and internal control fully embedded into the operations of the organisation, high level understanding of risk, effective risk management system)	Risk assessment annually with implementation, monitoring continuous improvement and on-going review	Conduct Annual Risk Assessment	Number of Annual Risk Assessments done (Operational, fraud and IT)	Number	1							1	1	1	1	Achieved	

KEY PERFORMANCE AREA 5: Municipal Financial Viability and Management

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET			2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance
								Demand	Baseline	Backlog	Vote #	Wards - (Planned, In-progress & Completed during 16/17)	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target		
Org 98	FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT	Ensure the Municipality remains financially viable	To apply good financial management in dealings with municipal finances	Develop and implement measures to expand revenue base and generation.	Improve the Revenue Growth (%)	% Revenue Growth - (Period under review's Total Revenue - previous period's Total Revenue)/ previous period's Total Revenue) x 100	%	CPI						17%	17%	17%	15%	Not achieved	To implement the revenue enhancement strategy
Org 99					Improve the Revenue Growth (%) - Excluding capital grants	% Revenue Growth Excluding capital grants - (Period under review's Total Revenue Excluding capital grants- previous period's Total Revenue excluding capital grants)/ previous period's Total Revenue excluding capital grants) x 100	%	CPI						20%	20%	20%	9%	Not achieved	To implement the revenue enhancement strategy
Org 100					Revenue enhancement strategy developed /reviewed and adopted	Date Revenue enhancement strategy adopted	Date	31-Dec							31-Dec	Not done	31-Dec	27-Mar	Achieved

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET			2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance	
								Demand	Baseline	Backlog	Vote #	Wards -(Planned, In-progress & Completed during 16/17)	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target			Actual
Org 101	FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT	Ensure the Municipality remains financially viable	To apply good financial management in dealings with municipal finances	To control and account for all Municipal expenditure	Reduce Irregular, Fruitless and Wasteful and Unauthorised Expenditure (I, F &W, U E)	% I, F &W, U Expenditure incurred -(Irregular, Fruitless and Wasteful and Unauthorised Expenditure) / Total Operating Expenditure x100	%	0%						0,0%	21%	0%	30%	Not achieved	To update the register of I,F&W expenditure and present to Council and MPAC for investigation	
Org 102					Monitor Capital Expenditure Budget	% CAPEX BUDGET SPENT - Actual capital Expenditure / Budget Capital Expenditure x 100	%	95% - 100%			CAPEX			85 995 734,00	95%-100%	78%	95% - 100%	70%	Not achieved	To develop a cash flow projection of each project and monitor spending accordingly on a regular basis
Org 103					Capital Infrastructure projects completed as per a year plan	% of capital projects completed within budget (awarded budget/tender value)	%	100%			CAPEX			85 995 734,00	95%-100%	0%	90%	67%	Not achieved	The Project Management Unit to monitor project progress as well as expenditure on regular basis

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET			2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance
								Demand	Baseline	Backlog	Vote #	Wards -(Planned, In-progress & Completed during 16/17)	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target		
Org 104	FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT	Ensure the Municipality remains financially viable	To apply good financial management in dealings with municipal finances	To control and account for all Municipal expenditure	Monitor - Operating Expenditure Budget	% OPEX Budget spent - Actual Operating Expenditure / Budgeted Operating Expenditure x 100	%	95% - 100%			OPEX		209 066 414,00	95%-100%	99%	95% - 100%	100%	Achieved	To manage and monitor municipal financial viability on a regular basis
Org 105					Implement mSCOA	Number of mSCOA report back meeting on implementation to Council	Number							-	-	4	3	Not achieved	To present the Mscoa status report to Council in Q1 of 17/18
Org 106						% Achievement of milestones from mSCOA implementation plan (all due by end of quarter)	%							-	-	100%	70%	Not achieved	To present the Mscoa status report to Council in Q1 of 17/18
Org 107						Monitor Remuneration cost	% staff cost over OPEX incurred - Remuneration (Employee Related Costs and Councillors' Remuneration) /Total Operating Expenditure x100	%	25% - 40%			7902-7905, 7921, 7924-7927, 7931-7936,		R 66 760 143	69 875 520,00	25-40%	40,00%	25% - 40%	38%

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET			2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance	
								Demand	Baseline	Backlog	Vote #	Wards - (Planned, In-progress & Completed during 16/17)	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target			Actual
Org 108	FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT	Ensure the Municipality remains financially viable	To apply good financial management in dealings with municipal finances	Develop and implement measures to reduce the level of debt owed to the municipality	Improve Net Debtors Days	Number of Net Debtors Days - ((Gross Debtors - Bad debt Provision)/ Actual Billed Revenue)) × 365	Number in days	30							30	308 days	30	315 days	Not achieved	Debtor Collection to be done in-house and to engage Cogta and Treasury on debtor collection from the State.
Org 109					Improve Collection Rate	% Collection Rate - (Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written Off)/Billed Revenue x 100	%	93%-95%							93-95%	76%	93%-95%	70%	Not achieved	Debtor Collection to be done in-house and to engage Cogta and Treasury on debtor collection from the State.
Org 110					Reduce the debtors for services rate	% of outstanding service debtors to annual revenue from services	%	0%-26%								0%-26%	128%	0%-26%	98%	Not achieved

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET			2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance
								Demand	Baseline	Backlog	Vote #	Wards - (Planned, In-progress & Completed during 16/17)	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target		
Org 111	FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT	Ensure the Municipality remains financially viable	To apply good financial management in dealings with municipal finances	Improve cash and debtors management	Improve the Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	Cash / Cost Coverage Ratio in Months - ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	Number in months	1 - 3 Months						1-3 months	0 month	1-3	o Month	Not achieved	A cost cutting exercise to be undertaken and adjustment budget to be done
Org 112					Improve debt coverage rate	Debt coverage rate - (Total operating revenue less operating grants)/ Debt service payment	Number	40 x							30-40	38%	30 x - 40x	20.9 X	Not achieved
Org 113			To enforce a fair and legislatively compliance SCM	Apply fairness, equitability, competitiveness, transparency & cost effectiveness principles in obtaining goods and services.	Supply chain management policy deviations reported to full council.	Number of Quarterly report on the implementation of SCM policy reported to Council	Number	4							-	-	4	4 prepared but not submitted to Council	Not achieved

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET				2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance
								Demand	Baseline	Backlog	Vote #	Wards -(Planned, In-progress & Completed during 16/17)	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target	Actual		
Org 114	FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT	Ensure the Municipality remains financially viable	To budget and report on all Municipal financial transactions according to	Timeously report on financial matters as legislated/regulated.	Present Mid-year budget reviewed	Date budget reviewed approved	Date	21-Jan							21-Jan	28-Jan	21-Jan	25-Jan	Achieved	
Org 115					Submit the Adjustment budget for tabling to Council by the Mayor by 25 February.	Date adjustment budget approved	Date	25-Feb							25-Feb	25-Feb	25-Feb	22-Feb	Achieved	
Org 116					Prepare and submit the Previous year's annual financial statements to AG by 31 August.	Date previous years AFS submitted	Date	31-Aug							31-Aug	31-Aug	31-Aug	31-Aug	Achieved	
Org 117			To ensure that assets are properly	To account for all assets owned by the municipality	Conduct Asset verification	Number of times the asset verification is done	Number	2								2	2	2	1	Not achieved

KEY PERFORMANCE AREA 6 : Cross-Cutting Interventions

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET			2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance	
								Demand	Baseline	Backlog	Vote #	Wards -(Planned, In-progress & Completed during 16/17)	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target			Actual
Org 118	CROSS CUTTING INTERVENTIONS	To increase environmental and community safety.	Promote the Environment Conservation and management to ensure that adverse environmental impacts is prevented and mitigate	To do due diligence on environmental impact for planned projects and programmes.	Conduct Environment Impact Assessment for new developments	% of Development applications with Environment Impact assessments done.	%	100%							100%	None received	100%	None received	N/A	
Org 119				To develop and implement an environmental management plan that addresses climate change amongst other things .	Develop Environmental Management Plan	Date Environmental Management Plan adopted by Council	Date	31-Mar					7091801	7539736	31-Mar	Environmental plan in place but not yet adopted by Council	31-Mar	In progress	Not achieved	The new environmental officer to be responsible for the development of the plan in the 17/18 financial year
Org 120			Provide disaster management and emergency services	Develop Contingency plan for the Municipality- long term and short term (life span)	Develop disaster and fire contingency plan for the Municipality	Date disaster and fire contingency plan developed/ reviewed and adopted	Date	30-Jun								30-Jun	Not developed	30-Jun	Draft	Not achieved

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET			2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance	
								Demand	Baseline	Backlog	Vote #	Wards - (Planned, In-progress & Completed during 16/17)	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target			Actual
Org 121	CROSS CUTTING INTERVENTIONS	To increase environmental and community safety.	Provide disaster management and emergency services	Develop fire brakes system for farmers and enforce fire belt implementation	Fire brakes as a prevention method	Conduct annual Fire brakes in the Municipal Area	Number	1 per ward per year (15)						14	3	15	0	Not achieved	To develop the year plan for Fire and Disaster unit which will include the fire brakes	
Org 122			To plan areas for future development and formalisation	Review the Spatial Development Plan for adoption by Council	Finalise the Spatial Development Plan	Date Spatial Development Plan adopted by Council	Date	30-Jun					7091801	7539736	-	-	30-Jun	Not achieved	Not achieved	To budget for the development of the Spatial Dev Plan
Org 123				Review of Human Settlement Sector Plan	Review Housing sector Plan	Date the Reviewed Housing sector plan is adopted by Council	Date	30-Jun					7091801	7539736	-	-	30-Jun	Not achieved	Not achieved	To budget for the development of the Housing Sector Plan in the 17/18 financial year
Org 124			Implementati on of SPLUMA	Prepare wall to wall planning scheme for the whole Municipal area.	Prepare a wall to wall scheme for the Municipality	Date the "wall to wall" scheme prepared and adopted by Council	Date	30-Jun				5015/8469		7091801	7539736	30-Jun	None	30-Jun	Not achieved	Not achieved

NO.	NATIONAL KEY PERFORMANCE AREAS	Development Goal	STRATEGIC OBJECTIVE	STRATEGIES	Action Plan	INDICATORS	Unit of Measure	2014/2015			BUDGET			2015/2016		2016/2017		Achieved/Not Achieved	Measures to be taken to improve performance	
								Demand	Baseline	Backlog	Vote #	Wards - (Planned, In-progress & Completed during 16/17)	Original Budget	Adjusted Budget	Annual Target	Actual	Annual Target			Actual
Org 125	CROSS CUTTING INTERVENTIONS	To increase environmental and community safety.	To ensure effective Land Use Management and Building Management	Review and Implementation of uPhongolo Land Use Scheme	Review LUMS	Date Lums reviewed and adopted by Council	Date	30-Jun			5015/8469		7091801	7539736	-	-	30-Jun	Not achieved	Not achieved	To finalise the LUMS and present to Council for adoption

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE

The Corporate Services Department is responsible for the organisational development and the following departments; Human Resources, Training and Development, Archives- Registry, Secretarial Support, Facilities management, Information & Communication Technology and Public assistance services.

This department acts as a support services department to the rest of the municipal departments.

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTAL, TURNOVER AND VACANCIES

Table 4.1.1

Description	2015/16				2016/17			
	No. of Approved Posts	No. of Employees	No. of Vacancies	Vacancies (as a % of Total Posts)	No. of Approved Posts	No. of Employees	No. of Vacancies	Vacancies (as a % of Total Posts)
Financial Services	39	26	13	33.33%	39			
Technical Services	102	88	14	13.73%	102			
Corporate Services	27	15	12	44.44%	27			
Community Services	128	90	38	31.67%	128			
MM's Office	12	9	3	25%	12			
Total	308	228	80	25.97%	308			

Table 4.1.2

Turnover Rate			
Details	Total Appointments as of beginning of Financial Year in No	Terminations During the financial year	Turnover Rate
2015/16	48	7	14.58%
2016/2017	7	13	85.7%

Table 4.1.3

Vacancy Rate Senior management: 2015/16			
Description	Total No. of Approved Posts	Vacancies	Vacancies (as a % of total posts per category)
Municipal Manager	1	1*	100%
CFO	1	1*	100%
s.56 Managers	3	2*	66.67%
Total	5	4	80%

*Vacancy from 01 June 2017

COMPONENT B: MANAGING THE WORKFORCE

Section 67 of the MSA states that "A municipality, in accordance with applicable law and subject to any applicable collective agreement, must develop and adopt appropriate systems and procedures, consistent with any uniform standards prescribed in terms of section 72(i)(c), to ensure fair, efficient, effective and transparent personnel administration..." This component cites the range of workforce management and progress made in the development of workforce policies and management practices during FY2016/17.

4.2 POLICIES

Table 4.2.1

HR Policies and Plans				
No	Name of Policy	% Complete	% Reviewed	Date Adopted by Council or Comment on Failure to Adopt
1	Records Management Policy	100	100	
2	Scarce & Critical Skills Retention Policy	100	100	
3	Recruitment & Selection Policy	100	100	
4	Learnership Policy	100	100	
5	HIV & AIDS Policy	100	100	
6	Internal Transfer Policy	100	100	
7	Employee Wellness Policy	100	100	
8	Leave Policy	100	100	
8.1	• Annual Leave	100	100	
8.2	• Family Responsibility Leave	100	100	
8.3	• Maternity Leave	100	100	
8.4	• Paternity Leave	100	100	
8.5	• Sick Leave	100	100	
8.6	• Study Leave	100	100	
8.7	• Unpaid Leave	100	100	
9	Subsidized Motor Vehicle Policy	100	100	
10	Skills Development Policy	100	100	
11	Sexual Harassment Policy	100	100	
12	Occupational Health & Safety Policy	100	100	
13	Experiential Training Policy	100	100	
HR Policies and Plans				

	Name of Policy	% Complete	% Reviewed	Date Adopted by Council or Comment on Failure to Adopt
14	Acting in Higher Position Policy	100	100	
15	Travel & Subsistence Policy	100	100	
16	Termination of Service Policy	100	100	
17	Probationary Period Policy	100	100	
18	Bursary Policy	100	100	
19	Fleet Management Policy	100	100	
20	ICT Policy	100	100	
21	Access to Information Policy	100	100	
22	Customer Care Policy	100	100	
23	Cell phone & 3G Allowance Policy	100	100	
24	Overtime Policy	100	100	
25	Skills Development Policy (Review)	100	100	
26	Employment Equity Policy	100	100	

4.3 INJURIES, SICKNESS AND SUSPENSIONS

As the below table shows no one was injured in the reporting financial year

Table 4.3.1

Type of Injury	Injury Leave Taken (Days)	No. of Employees Using Injury Leave	% Proportion of Employees Using Sick Leave	Average Injury Leave per Employee	Total Estimated Cost (R'000)
Required basic medical attention only	0	0	0%	0	
Temporary total disablement	0	0	0%	0	
Permanent disablement	0	0	0%	0	
Fatal	0	0	0%	0	
Total	0	0	0%	0	

Table 4.3.2

Number of days and Cost of sick leave (excluding Injuries on Duty)						
Salary band	Total Sick Leave Days	% Proportion of sick leave without medical certification	No. of employees using sick leave	Total no. of employees in post	Average sick leave per employee (Days)	Estimated cost
Lower skilled (Levels 1-2)						
Skilled (Levels 3-5)						
Highly skilled production (Levels 6-8)						
Highly skilled supervision (Levels 9-12)						
Senior management (Levels 13-15)						
MM and s.56						
Total	491	7.5%	68		7.2	

Table 4.3.3

Number and Period of Suspensions				
Position	Nature of alleged misconduct	Date of suspension	Details of disciplinary action taken or Status of case and reasons why not finalized	Date finalized
N/A	None	N/A	N/A	N/A
N/A	None	N/A	N/A	N/A

Table 4.3.4

Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of alleged misconduct and Rand value of any loss to PM	Disciplinary action taken	Date finalised
N/A	N/A	N/A	N/A

COMPONENT C: MANAGING THE WORKFORCE EXPENDITURE

Section 68 of the MSA requires municipalities to develop their human resource capacity to a level that enables them to perform their functions and exercise their powers in an economical, effective, efficient and accountable way.

Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded		
Beneficiaries	Gender	Total
Lower Skilled (Levels 1-2)	N/A	0
Skilled (Levels 3-5)	N/A	0
Highly Skilled (Levels 6-8)	N/A	0
Highly Skilled supervision (Levels 9-11)	N/A	0
Management (Levels 13-16)	N/A	0
MM and s56 Managers	N/A	0
Total		

Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation				
Occupation	Number of employees	Job Evaluation Level	Remuneration Level	Reason for Deviation
N/A	N/A	N/A	N/A	N/A

Employees appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exist
N/A	N/A	N/A	N/A	N/A

CHAPTER 5 – FINANCIAL PERFORMANCE

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of three components:

Component A: Statement of Financial Performance

Component B: Spending Against Capital Budget

Component C: Other Financial Matters

COMPONENT A: STATEMENT OF FINANCIAL PERFORMANCE

This component provides an overview of the financial performance of uPhongolo local Municipality and focuses on the financial health of the municipality.

5.1 STATEMENT OF FINANCIAL PERFORMANCE

Table 5.1.1

Summary Statement of Financial Performance

	R'000	R'000	R'000	R'000	
Description	2016/17 Revised Budget	2016/17 Actuals	2015/16 Actuals	Variance	2016/ 17 % movement
Total Revenue by Source (Excluding capital Transfers)	260 506	260 050	193 251	66 799	35%
Total Operating Expenditure	-209 066	-206 689	-183 369	23 320	13%
Surplus/ (Deficit) for the year	51 440	64 466	9 882	54 584	552%

The table above reflects the financial performance of uPhongolo local Municipality. Year to year revenue grew by 35% from R193.2 million to R260 million for the reporting year excluding capital transfers. This growth is higher than revised budget due to increase in other revenue that was not anticipated. On a similar note the municipality operating expenditure increased from R 183.3 million to R 206.7 million which represents a 13% year to year increase in expenditure. This increase is lower than the expenditure increase in the prior year which was at 19.15%.

Overall, a significant surplus of R 64.5 mil was achieved for the year which equals to a 552% increase when comparing to the 2015/2016 surplus of 9.9 million.

5.2 CASH FLOW

Table 5.2.1

	R	R	R		
	Budget 2016/17	Actual 2016/17	Actual 2015/16 Restated	Change	% Change
Cash From Operating activities					
Receipts	232 318 990	216 885 868	216 029 482	856 386	0,4%
Payments	165 983 420	-166 858 305	-167 769 317	911 012	-0,5%
Net cash flow from operating activities before interest	66 335 570	50 027 563	48 260 165	1 767 398	3,7%
Net cash flow from operating activities after interest	73 170 413	59 498 719	55 564 364	3 934 355	7,1%
Net cash from investing activities	-77 331 183	-59 908 306	-59 977 541	69 235	-0,1%
Net cash from financing activities	11 000 054	-7 760 749	1 050 261	-8 811 010	-838,9%
Net Cash and cash equivalents at the beginning of the year	9 774 199	9 774 199	13 137 115	-3 362 916	-25,6%
Cash and cash equivalents at the end of the year	9 778 640	1 603 863	9 774 199	-8 170 336	-83,6%

Table 5.2.1 shows the Municipality collected R216.89 million compared to past year result of R216 million. This effectively represents a 21.67% increase in cash receipts. The table also reflect that net cash outflow from financing activities of – R7.76 million or -838.9% decrease when compared to last year's net cash inflow of R 1 mil . Cash and cash equivalents for the year result a decrease of only 83.6% compared to last year. This is a significant cash decrease and is largely attributable to slow payments from debtors.

5.3 GRANTS

Table 5.3.1

Name of Grant	Unspent portion 2015/16 financial statements	Adjustments and Transfers	Receipts during the year	Expenditure during the year	Unspent portion 2016/17 financial statements	Grants and Subsidies delayed / withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
	R	R	R	R	R				
Capital Grants									
Flea Market Grant	211 613		-	(211 613)	-	No	N/a	Yes	N/a
Municipal Infrastructure Grant	2 471 329	(2 471 329)	41 643 051	(41 643 051)	-	No	N/a	Yes	N/a
Integrated National Electrification Programme Grant	-		18 000 000	(17 998 506)	1 494	No	N/a	Yes	N/a
Mass Electrification Programme	4 927 890			(4 927 890)	-	No	N/a	Yes	N/a
Sub-Rank Facility Grant	463 792			(460 375)	3 417	No	N/a	Yes	N/a
Cultural Village Grant	2 633 038			(2 633 038)	-	No	N/a	Yes	N/a
Street Lights Grant	428 222			(420 764)	7 458	No	N/a	Yes	N/a
Sports Facility Grant	-		334 000	(167 000)	167 000	No	N/a	Yes	N/a
Sub-total	11 135 884	(2 471 329)	59 977 051	(68 462 237)	179 369				

Table 5.3.1 (continues)

Name of Grant	Unspent portion 2015/16 financial statements	Adjustments and Transfers	Receipts during the year	Expenditure during the year	Unspent portion 2016/17 financial statements	Grants and Subsidies delayed / withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
Operating Grants									
Municipal Systems Improvement Grant	-				-	No	N/a	Yes	N/a
Finance Management Grant	-		1 825 000	(1 825 000)	-	No	N/a	Yes	N/a
Pound Grant	490 490	509 510			1 000 000	No	N/a	Yes	N/a
Provincialisation of Libraries Grant	-		965 000	(965 000)	-	No	N/a	Yes	N/a
Library Community Services Grant	105 123	(105 123)	358 000	(358 000)	-	No	N/a	Yes	N/a
Sports Facility Maintenance Grant	-				-	No	N/a	Yes	N/a
Expanded Public Works Programme Grant	-		3 021 000	(3 021 000)	-	No	N/a	Yes	N/a
Zululand District Municipality Tourism Grant	-		-	-	-	No	N/a	Yes	N/a
Development Administration Grant	205 686		-	-	205 686	No	N/a	Yes	N/a
Integrated Electrification Redds	98 000		-	-	98 000	No	N/a	Yes	N/a
Tourism Grant Candover	290 862		-	-	290 862	No	N/a	Yes	N/a
Strategic Support Grant	93 848		-	-	93 848	No	N/a	Yes	N/a
Synergistic Partnership Grant	123 104		-	-	123 104	No	N/a	Yes	N/a
Housing Community Gardens Grant	72 864		-	-	72 864	No	N/a	Yes	N/a
Planning and Development Grant	47 621		-	-	47 621	No	N/a	Yes	N/a
Municipal Development Grant	100 000		-	-	100 000	No	N/a	Yes	N/a
Sub-total	1 627 598	404 387	6 169 000	(6 169 000)	2 031 985				
Total Grants	12 763 482	(2 066 942)	66 146 051	(74 631 237)	2 211 354				

5.4 ASSET MANAGEMENT

The municipality has ensured that all previous year fixed asset errors are addressed with the assistance of PricewaterhouseCoopers (PWC) who was appointed again to compile the 2016/17 Asset Register. Their terms of reference included the follows:

Physical verification of all movable assets

Physical verification of infrastructure (immovable) assets

Review of assets under construction (AUC), analysis of 2016/17 capital expenditure and WIP completed during the 2016/17 financial year

Unbundling of infrastructure assets acquired (WIP completed) as required by GRAP17

Review of remaining useful lives (RUL) of infrastructure and movables assets

Identification and review of possible impairment of infrastructure and movable assets

Implementation and review of disposal during the 2016/17 financial year

Perform the depreciation charge calculation for 2016/17 financial year

Provide journals, disclosure notes and annexures in the annual financial statements and accounting policies

Respond to all relevant GRAP asset audit queries

The net movement in the carrying amount of Property Plant and Equipment and

Investment property is detailed in table 5.4.1 below.

Table 5.4.1

Asset Register at 30 June 2017

Details	Carrying amount –	Carrying Amount –	% change	R	R
	30 June 2016	30-Jun-17			
Land	65 541 478	65 541 478	0,00%		
Buildings	19 022 556	25 377 035	33,40%		
Plant and Machinery	6 670 504	5 817 880	-12,78%		
Furniture and fittings	1 345 197	1 134 162	-15,69%		
Motor vehicles	5 997 215	6 161 485	2,74%		
IT equipment	1 181 591	1 079 344	-8,65%		
Infrastructure	73 332 764	104 534 986	42,55%		
Capital work in progress	128 653 538	140 444 859	9,17%		
Landfill site decommissioning asset	3 965 209	3 965 209	0,00%		
Investment property	66 065 000	79 630 000	20,53%		
Intangible assets	349 507	262 013	-25,03%		
Heritage assets	70 945	70 945	0,00%		
Total PPE and Investment Property value	372 195 504	434 019 396	16,61%		

As the table shows the asset value per the asset register grew by 16.6% between 01 July 2016 and 30 June 2017. The largest growth was in the Infrastructure which had a 42.55% increase. The second largest growth was in the Buildings category where an increase of 33.4 % .

Table 5.4.2

REPAIRS AND MAINTENANCE EXPENDITURE: FY 2016/2017

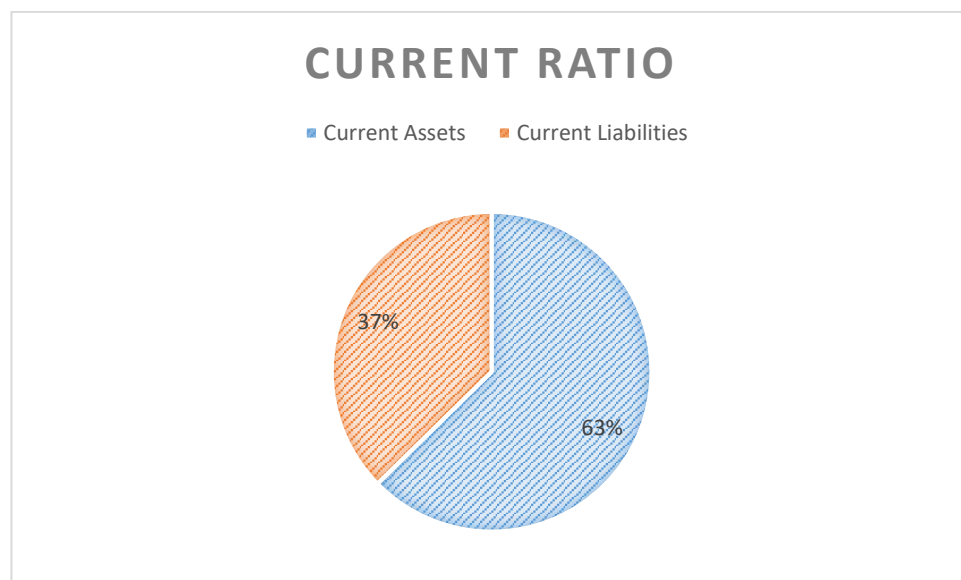
	R	R	R	R
DESCRIPTION	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	BUDGET VARIANCE
REPAIRS AND MAINTENANCE EXPENDITURE	11 797 959	-	4 697 873	7 100 086

The table 5.4.2 above shows a budget variance of R 7.1 Million in repairs and maintenance expenditure. This variance is attributable to maintenance projects which were not implemented especially with regard to road potholes repairs.

The major contributor to most of the underspending of the approved budget is the cash flow challenge that was experienced during the year.

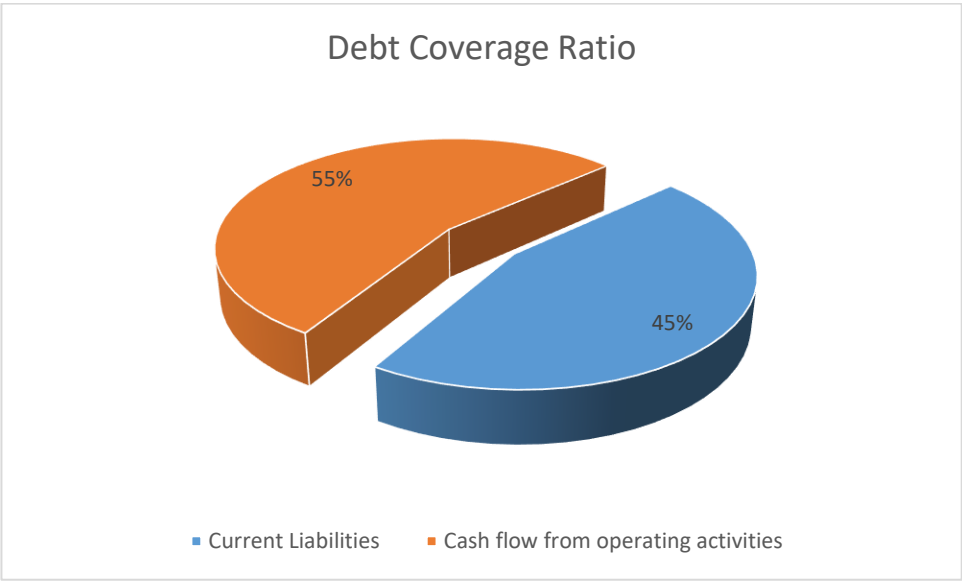
5.5 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

The current ratio of uPhongolo local Municipality at the end of June 2016 is current assets 63% to current liabilities 37%. This effectively is a current ratio of 1.68 (Current Assets) : 1 (Current Liability) and ratio is favourable because the norm is 1.5 to 2: 1.



5.6 DEBT COVERAGE RATIO FOR UPHONGOLO LOCAL MUNICIPALITY

Shows debt coverage ratio: current liabilities divided by net cash from operating activities



The above graph shows that the Municipality has sufficient cash resources to cover the short term obligation as they become due. The ratio is not within the acceptable norm as it is too close to 1:1.

This means the Municipality must maximize all avenues to ensure that the debtors are encouraged to pay for services which will help improve the cash resources going forward and the services of a Debt collectors has also sourced to try and collect the long-outstanding debt.

The revenue enhancement strategy is currently being developed with the hope that once implemented, the municipality would improve its cash flow position.

5.7 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

The need and cost of backlogs are the result of migration into an area; migration out of an area; the trend towards disaggregation of families into more than one housing unit; and the cost of renewing and upgrading core infrastructure.

Table 5.7.1

Service Backlogs as at 30 June 2017				
	Service level above minimum standard		Service level below minimum standard	
	No. of households	% households	No. of households	% households
Electricity	23 518	82%	5254	18%
Refuse	4378	15.2%	24394	74.8%
Housing	24024	83.5%	4747	16.5%
Sanitation	20 076	70%	8 696	30%
Water	21 107	73%	7 665	27%

Electricity – Households with electricity for lighting were considered to be above minimum requirement as the 20 Amp is provided by Eskom. More electrification projects are being rolled-out on an annual basis and as such, the 18% is used as an indicator.

Refuse – Households with refuse being collected by the Municipality were considered to be above minimum standard as the standard collection is twice weekly for all households being provided with the service. It is still a challenge for the Municipality to collect refuse in the non-urban area which makes a large portion of the Pongola area. Plans to install bulk containers in such areas are currently being looked at.

Sanitation- Households with access to Flush or chemical toilet and VIP toilets were considered to be above minimum standards. The sanitation function is provided by the District Municipality and the access of 70 % above minimum standard is as per the 2011 statistic. Sanitation projects are being implemented by the District.

Water- Households with piped water in the yard and at a communal stand are considered to be above minimum standard and as such, 27% backlog was noted in the 2011 census information. This function is also being provided by the District Municipality.

Housing

Formal households per the stat SA data in Pongola stand at 83.5% or 24024. The remaining 4747 households are categorized as below minimum standard. The function of constructing the RDP houses is currently with the Department of Human Settlement. During the 2015/16 F/Y housing project totalling 332 were completed in ward 2 and 10. A total of +/- 11000 has also been awarded by the department and the projects to commence in the 2017/18 F/Y.

5.8 INFRASTRUCTURE GRANTS

Table 5.8.1

Infrastructure Grants Expenditure Year 2016/17 on service backlogs					
Name of Grant	Unspent portion 2015/16 financial statements	Adjustment s and Transfers	Receipts during the year	Expenditure during the year	Unspent portion 2016/17 financial statements
	R	R	R	R	R
Capital Grants					
Flea Market Grant	211 613		-	(211 613)	-
Municipal Infrastructure Grant	2 471 329	(2 471 329)	41 643 051	(41 643 051)	-
Integrated National Electrification Programme Grant	-		18 000 000	(17 998 506)	1 494
Mass Electrification Programme	4 927 890			(4 927 890)	-
Sub-Rank Facility Grant	463 792			(460 375)	3 417
Cultural Village Grant	2 633 038			(2 633 038)	-
Street Lights Grant	428 222			(420 764)	7 458
Sports Facility Grant	-		334 000	(167 000)	167 000
Total capital grants	11 135 884	(2 471 329)	59 977 051	(68 462 237)	179 369

Table 5.8.1 reflect the total infrastructure grants expenditure of R68.5 million. And infrastructure grants received amount to 59.98 million during the year 2016/17. Opening balance of unspent received infrastructure grants amounts to R11.1 million and remaining unspent infrastructure grants amount to R 179k

5.9 INVESTMENTS

<u>Current Account (Primary Bank Account)</u>	2016/17	2015/2016
First National Bank Limited - uPhongolo Branch: Account No. 62027530858	896 427	941 174
Cash book balance at end of year	896 427	941 174
Bank statement balance at end of year	896 427	941 174

Call Accounts

First National Bank Limited - uPhongolo Branch: Account No. 62375357186	-	3 934
First National Bank Limited - uPhongolo Branch: Account No. 62375342377	4	15 048
First National Bank Limited - uPhongolo Branch: Account No. 62377992104	5	6 553
First National Bank Limited - uPhongolo Branch: Account No. 62380902017	3 371	19 675
First National Bank Limited - uPhongolo Branch: Account No. 62389553085	5	297 130
First National Bank Limited - uPhongolo Branch: Account No. 62389564024	9	939 336
First National Bank Limited - uPhongolo Branch: Account No. 62389585286	9 1	715 108
First National Bank Limited - uPhongolo Branch: Account No. 62389586507	7 458	299 940
Standard Bank Limited - Newcastle Branch: Account No. 068686234-003	1 348	1 348
First National Bank Limited - uPhongolo Branch: Account No. 62404561377	219	12 497
First National Bank Limited - uPhongolo Branch: Account No. 62404287345	80	19 354
First National Bank Limited - uPhongolo Branch: Account No. 62417482289	-	1 233
First National Bank Limited - uPhongolo Branch: Account No. 62417484235	-	1 615
First National Bank Limited - uPhongolo Branch: Account No. 62417486190	-	15 609
First National Bank Limited - uPhongolo Branch: Account No. 62658357001	167 891	-
First National Bank Limited - uPhongolo Branch: Account No. 62305239718	490 490	329 929
First National Bank Limited - uPhongolo Branch: Account No. 74275780911	32 745	25 872
First National Bank Limited - uPhongolo Branch: Account No. 62596797559	394 5	040 268
First National Bank Limited - uPhongolo Branch: Account No. 62253771896	298	19 567
First National Bank Limited - uPhongolo Branch: Account No. 62230436405	1 494	66 465
Cash book balance at end of year	705 820 8	830 481

Cash and Cash Equivalents

Bank statement balance at beginning of year	8 830 481 8 403 058
Bank statement balance at end of year	705 820 8 830 481

Cash on hand

Cash balances	1 615	2 544
Total cash and cash equivalents	1 603 862 9 774 199	

Table above is showing cash and cash equivalent of the municipality which is R 1.6 million as at 30 June 2017. This is a decrease of R 8.17 million when compared with the previous year. The large portion of investment is cash backing the unspent grants, others arises from the savings and interest.

5.10 BORROWING

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2016	Received during the period	Redeemed / written off during the period	Balance at 30 June 2017
			R	R	R	R
LONG-TERM LOANS						
Amalgamated Banks of South Africa (Absa)	8061728158		243 236	12 867	(256 103)	-0
Total long-term loans			243 236	12 867	(256 103)	-0

The municipality currently does not have any long term liability other finance lease.

Finance Lease Liability

The finance lease had a balance of R 5.1 million by 30 June 2017.

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

5.11 CAPITAL EXPENDITURE PERFORMANCE

Table 5.11.1

Total Capital Expenditure: Year 2013/2014 to Year 2015/2016			
	R'000	R'000	R'000
Detail	Year 2014/2015	Year 2015/2016	Year 2016/2017
Original Budget	56 336	38 459	67408
Adjustment Budget	60 508	59 322	85996
Actual	56 104	52 029	59908

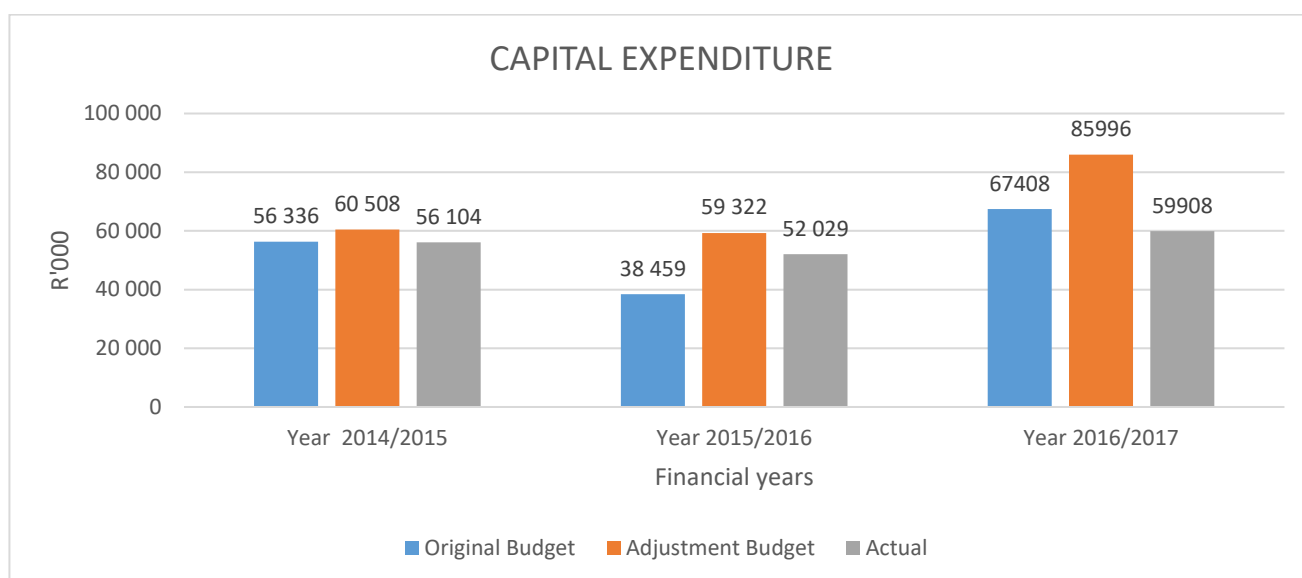


Table 5.11.1 reflect the Year to date (YDT) capital expenditure of R59.9 million of the Total Capital Budget of R86 million.

Effectively, about 70% of capital expenditure spent while the previous year it was 88%. The Capex was underspend on the portion of the own funds due to cash flow challenges. The Capex on grants was reasonably in line with the norm.

COMPONENT C: OTHER FINANCIAL MATTERS

5.12 SUPPLY CHAIN MANAGEMENT

The Municipality has a fully functioning SCM unit that is headed by the SCM Manager. One official within the SCM unit has managed to achieve the minimum requirements (NQF6) in MFMP. Other officials are still attending MFMP training with a recognized tertiary institution.

5.13 GRAP COMPLIANCE

GRAP is the acronym for Generally Recognized Accounting Practice and it provides the rules by which municipalities are required to maintain their financial accounts. The Municipality appointed again PWC for further assistance with the asset register to ensure that it complies 100% with the all GRAP requirements for this financial year.

The Municipality was unable to achieve the unqualified audit opinion that was achieved in the year 2014/2015, instead the status remained at the qualified audit opinion. Going forward the municipality going to put in place proper plans to improve from the current situation to Clean Audit.

CHAPTER 6 – AUDITOR GENERAL FINDINGS AND ACTION PLAN



Auditing to build public confidence

AUDITOR-GENERAL
SOUTH AFRICA

Auditor-General of South Africa

uPhongolo Municipality Audit report 2016-17

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the council on uPhongolo Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the uPhongolo Municipality set out on pages 155... to 245, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects on the corresponding amounts of the matter described in the basis for qualified opinion section of this report, the financial statements present fairly, in all material respects, the financial position of the uPhongolo Municipality as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2016 (Act No. 3 of 2016) (DoRA).

Basis for qualified opinion

Corresponding amounts - Electricity expense for free basic services (Indigents)

3. During 2016, I was unable to obtain sufficient appropriate audit evidence for electricity expenditure for free basic services and to confirm this expenditure by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the electricity expenditure for basic services stated at R2,45 million. My audit opinion on the financial statements for the period ended 30 June 2016 was modified accordingly. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the expenditure for the free basic services for the current period.

Context for the opinion

4. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this report. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and

the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty related to going concern

6. As disclosed in note 53 to the financial statements, the municipality's current liabilities of R50,75 million exceeded its cash resources of R1,60 million as at 30 June 2017. Unfavourable liquidity ratios resulted in the municipality not paying its creditors timeously, mainly due to a history of poor debt collections. The municipality has adopted a revenue enhancement strategy plan to improve its cashflows. These conditions, along with other matters stated in the above-mentioned note, indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.

Emphasis of matters

I draw attention to the matters below.

Material losses - electricity

7. As disclosed in note 30 to the financial statements, material electricity distribution losses of R4,26 million (2015-16: R4,03 million), which represents 16% (2015-16: 15,90%) of total electricity purchased were incurred during the year. Losses were as a result of illegal connections, unread meters and other technical losses.

Material impairment – receivables from exchange transactions

8. As disclosed in note 4 to the financial statements, the municipality provided for impairment of receivables from exchange transactions of R74,06 million (2015-16: R60,04 million) as the recoverability of these debts were doubtful due to poor debtor collection practices and a history of poor debtor payment.

Other matter

9. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

10. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements, and accordingly, I do not express an opinion thereon.

Responsibilities of the accounting officer for the financial statements

11. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA, DoRA and for such internal control as the accounting officer

determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

12. In preparing the financial statements, the accounting officer is responsible for assessing the uPhongolo Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the intention is to liquidate the municipality or there is no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

13. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

15. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
16. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2017:

Development priorities	Pages in the annual performance report
Basic service delivery	44-49
Local economic development	51-57

18. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
19. The material findings in respect of the usefulness and reliability of the selected development priority is as follows:

Basic service delivery

Various indicators: Reported achievement not supported by sufficient appropriate audit evidence

20. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the indicators listed below. This was due to a lack of technical indicator descriptions and proper performance management system and processes with formal standard operating procedures that predetermined how the achievement would be measured, monitored and reported, as required by the Framework for managing programme performance information. I was unable to confirm that the reported achievements of these indicators were reliable by alternative means due to limitations being placed on the scope of my work as underlying supporting documentation was not available. Consequently, I was unable to determine whether any adjustments were required to the reported achievements of the indicators listed below:

■ 1,5 Kilometre of tarred road maintained ■ 493 Kilometre of gravel roads bladed ■ 1716 Meters squared of potholes on urban tarred roads ■ 17208 Meters squared of storm water drains maintained.

21. I did not identify any material findings on the usefulness and reliability of the reported performance information for the local economic development priority.

Other matters

22. I draw attention to the matters below.

Achievement of planned targets

23. The annual performance report on pages 2 to 9 includes information on the achievement of planned targets for the year and explanations are provided for the under achievement of a significant number of targets. This information should be considered in the context of the material finding on the usefulness and reliability of the reported performance information in paragraph 20 of this report.

Adjustment of material misstatements

24. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of the local economic development priority. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the aforementioned reported performance information.

Report on audit of compliance with legislation

Introduction and scope

25. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
26. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements and annual performance report

27. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of payables from exchange transactions, revenue and receivables from exchange transactions and expenditure, identified by the auditors in the submitted financial statements were subsequently corrected but the supporting records for free basic electricity that could not be provided resulted in the financial statements receiving a qualified audit opinion.
28. The annual performance report for the year under review did not include the performance of each external service provider, as required by section 46(1)(b) of the as underlying supporting documentation was not available to support reported targets Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA).

Procurement and contract management

29. Sufficient appropriate audit evidence could not be obtained for two contracts and one quotation that were awarded in accordance with the legislative requirements, as competitive bidding documents and quotations were not provided for audit.
30. In 11 instances, goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations, in contravention of the Municipal Supply Chain Management Regulations, 2005 (MSCMR) 17(a) and 17(c).
31. In eight instances, quotations were accepted from bidders and in 11 instances, contracts were awarded to providers, whose tax matters had not been declared to be in order by the South African Revenue Service (SARS) and in 11 instances contravention of MSCMR 43.

32. In 10 instances, goods and services with a transaction value above R200 000 were procured without inviting competitive bids, as required by MSCMR regulation 19(a). Furthermore, deviations in this regard were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of MSCMR 36(1).
33. In six instances, competitive bids were not always evaluated by the bid evaluation committee which should have been composed of officials from the department requiring the goods or services and at least one supply chain management (SCM) practitioner of the municipality, as required by MSCMR 28(2).
34. In 13 instances, contracts were awarded through a competitive bidding processes that were not adjudicated by the bid adjudication committee in accordance with MSCMR 29(1).
35. In 13 instances, competitive bids were adjudicated by a bid adjudication committee that was not appropriately composed in accordance with MSCMR 29(2).
36. Sufficient appropriate audit evidence could not be obtained in four instances, that the preference points system was applied in the procurement of goods and services above R30 000, as required by section 2 of the Preferential Procurement Policy Framework Act of South Africa, 2000 (Act No. 5 of 2000) (PPPFA).
37. Sufficient appropriate audit evidence could not be obtained in four instances, that contracts were awarded to suppliers based on preference points that were allocated and calculated in accordance with the requirements of section 2 of the PPPFA and Preferential Procurement Regulation of South Africa, 2011 (PPR) 5 and 6.
38. Sufficient appropriate audit evidence could not be obtained in four instances that contracts were awarded to bidders based on points given for criteria that were stipulated in the original invitation for bidding and quotations, as required by PPR 2.
39. Bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local content and production, as required by PPR 9(1).
40. Commodities designated for local content and production, were procured from suppliers who did not submit a declaration and meet the prescribed minimum threshold on local content and production, as required by PPR 9(1) and 9(5).
41. Sufficient appropriate audit evidence could not be obtained in 17 instances, that extensions or modifications to contracts were approved by a properly delegated official, as required by MSCMR 5.
42. The performance of some of the contractors or service providers were not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
43. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, in contravention of section 116(2)(c) of the MFMA.

44. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of MSCMR 46(2)(e) and the code of conduct for staff members issued in terms of the MSA.

Strategic planning and performance management

45. Key performance indicators were not set for the provision of basic solid waste removal services, as required by section 43(2) of the MSA and section 10(a) of Municipal Planning and Performance Management Regulation, 2001.

Expenditure management

46. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
47. Effective steps were not taken to prevent irregular expenditure of R58,3 million as disclosed in note 40.3 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by competitive bidding processes not being followed in awarding of contracts.
48. Effective steps were not taken to prevent fruitless and wasteful expenditure of R781 075, as disclosed in note 40.2 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the fruitless and wasteful expenditure incurred was caused by penalty interest due on late payments to suppliers.

Conditional grant

62. The municipality did not evaluate its performance in respect of programmes funded by the Municipal Infrastructure Grant as required by section 12(5) of DoRA.

Human resource management

63. There was no evidence that an approved staff establishment was in place, as required by section 66(1)(a) of the MSA.
64. Job descriptions were not established for posts in which appointments were made, as required by section 66(1)(b) of the MSA.
65. The municipal manager's performance agreement was not signed within the prescribed period, as required by section 57(2)(a) of the MSA.
66. I was unable to obtain sufficient appropriate audit evidence that the senior managers disclosed financial interests within 60 days from the date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers.

67. Appropriate systems and procedures to monitor, measure and evaluate performance of staff below the level of senior management, were not developed and adopted as required by section 67(1)(d) of the MSA.

Revenue management

68. Interest was not charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

Other information

69. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report which includes the mayor's foreword, the accounting officer's report and audit the committee's reports. The other information does not include the financial statements, the auditor's report thereon and those selected development priorities presented in the annual performance report that have been specifically reported on in the auditor's report.
70. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
71. In connection with my audit, my responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
72. The other information I obtained prior to the date of the auditor's report is the accounting officer's report, and the mayor's foreword and audit committee's report are expected to be made available to me after 30 November 2017.
73. If, based on the work performed on the accounting officer's report that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of the accounting officer's report, I am required to report that fact. I have nothing to report in this regard.
74. When I do receive and read the mayor's foreword and the audit committee's report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate, however, if it is corrected this will not be necessary.

Internal control deficiencies

75. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon.
76. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the performance report and the findings on compliance with legislation included in this report.

Leadership

77. Leadership's oversight was inadequate in preventing repetitive findings on the financial and performance management as well as compliance with legislation. This was exacerbated by vacancies in key positions.

Financial and performance management

78. Senior management did not implement proper records management over the maintenance of documents to support prior amounts presented in the financial statements, as well as being slow in addressing prior year findings. This was also impacted by vacancies in key management positions. Staff members did not fully understand the requirements of the performance reporting framework, which contributed to the material findings on predetermined objectives. Furthermore, management did not implement effective monitoring controls relating to compliance with legislation.

Governance

79. The effectiveness of the municipality's internal audit function and the audit committee were hindered as management was unable to fully implement their recommendations timeously.

Other reports

80. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigations

81. The provincial Department of Cooperative Governance and Traditional Affairs appointed an independent consulting firm to conduct an investigation relating to allegations of irregularities in the awarding of tenders and abuse of council resources. The investigation which covers the period 2011 to 2015 was still in progress at the date of this report.

82. An independent consulting firm was appointed by the municipality. The investigation related to alleged irregular appointment for extended public works programme employees. The investigation has been concluded, and disciplinary matters are currently in progress.
83. Provincial Treasury is currently conducting an investigation relating to the awarding of contracts and allegations of inflated prices in the SCM process. Furthermore, council referred allegations of inflated prices for the purchase of dustbins during the prior year, to the municipal public accounts committee. The investigation is currently in progress.

Auditor-General

Pietermaritzburg

30 November 2017



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on uPhongolo Municipality’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor’s report, I also:
 - Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
 - Conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the municipality’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor’s report. However, future events or conditions may cause a municipality to cease to continue as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and where applicable, related safeguards.

UPHONGOLO MUNICIPALITY AUDIT ACTION PLAN

ACTION PLAN ON AUDITOR GENERAL FINDINGS: YEAR ENDED 30 JUNE 2017

#	Reference to audit report	Finding	Audit Area	Component Affected	Person Responsible	Action Plan	Action Date	Status
1	Paragraph 3 / Audit report	During 2016, I was unable to obtain sufficient appropriate audit evidence for electricity expenditure for free basic services and to confirm this expenditure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the electricity expenditure for basic services stated at R 2, 45 million. My audit opinion on the current financial statements is also modified because of the possible effect of this matter on the comparability of the expenditure for free basic services for the current period.	Expenditure	Electricity Expenditure – Free Basic Services (Limitation)	Chief Financial Officer	1. The municipality's indigent debtor policy to be reviewed. 2. The consumers included in the indigent debtors' register to be validated on a regular basis. 3. To ensure that all debtors included in the indigent debtors' register are supported by valid and approved forms.	Immediately	In-progress
2	Paragraph 6 / Audit report	As disclosed in note 53 to the financial statements, the municipality's current liabilities of R50,75 million exceeded its cash resources of R1,60 million as 30 June 2017. Unfavourable liquidity ratios resulted in the municipality not paying its creditors timeously, mainly due to history of poor debt collections. The municipality has adopted a revenue enhancement strategy plan to improve its cash flows. These conditions, along with other matters stated in the above-mentioned note, indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.	Going concern	Financial viability	Chief Financial Officer	To improve the financial viability of the municipality by improving the debt collection as discussed below.	Immediately	In-progress

#	Reference to audit report	Finding	Audit Area	Component Affected	Person Responsible	Action Plan	Action Date	Status
3	Paragraph 7 / Audit report	As disclosed in note 30 to the financial statement, material electricity distribution losses of R4,26 million (2015-16: R4,03 million), which represents 16% (2015-16: 15,90%) of total electricity purchases were incurred during the year. Losses were as a result of illegal connections, unread meters, and other technical losses.	Distribution losses	Electricity distribution losses	Director: Technical services	To ensure that electricity distribution losses are reduced by: 1)ensuring that all meters are read on a regular basis. 2)separate electricity consumption relating to street lighting from distribution losses. 3)analyse the distribution losses in terms of technical and non technical losses.	30/03/2018	In-progress
4	Paragraph 8 / Audit report	As disclosed in note 4 to the financial statements, the municipality provided for impairment of receivables from exchange transactions of R74,06 million (2015-16:R60,04 million) as the recoverability of these debts were doubtful due to poor debtor collection practices and a history of poor debtor payment.	Accounts receivables	Impairment of receivables from exchange transactions	Chief Financial Officer	1. To monitor the implementation of the municipality's credit control policy. 2. To try recover government debt by using the existing inter-government relations structures.	30-Jun-18	Not started

#	Reference to audit report	Finding	Audit Area	Component Affected	Person Responsible	Action Plan	Action Date	Status
5	Paragraph 20 / Audit report	<p>I was unable obtain sufficient appropriate audit evidence for the reported achievement of the indicators listed below. This was due to a lack of technical indicator descriptions, proper performance management system and processes with formal standard operating procedures that predetermined how the achievement would be measured, monitored and reported, as required by the Framework for Managing Programme Performance Information (FMPPi). I was unable to confirm that the reported achievements of these indicators were reliable by alternative means due to limitations being placed on the scope of my work as underlying supporting documentation were not available to support reported targets. Consequently, I was unable to determine whether any adjustments were required to the reported achievements of the indicators listed below.</p> <p>1. Meter squared of storm water 2. Meter squared of potholes on urban tarred roads drains maintained 3. Kilometre of tarred roads maintained 4. Kilometre of gravel roads bladed</p>	Performance information	Basic Services	Director: Technical Services	<p>To ensure that the appropriate evidence to support the achievement relating to the following indicators is defined at the planning stage;</p> <p>1. Meter squared of storm water 2. Meter squared of potholes on urban tarred roads drains maintained 3. Kilometre of tarred roads maintained 4. Kilometre of gravel roads bladed</p>	28-02-2018	Not started
6	Paragraph 24 / Audit report	<p>I identified material misstatement in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of the local economic development priority. As management subsequently corrected the misstatements, I did not raise any material finding on the usefulness and reliability of the aforementioned reported performance information.</p>	Performance information	Local Economic Development	Director: Corporate Services	<p>1. To ensure validation of reported performance against supporting evidence for validity, accuracy and completeness.</p> <p>2. To ensure a review of the annual performance report by management (first level assurance).</p> <p>3. To ensure a review of the annual performance report by Internal audit unit and audit committee (second level assurance).</p>	31-Aug-18	Not started

#	Reference to audit report	Finding	Audit Area	Component Affected	Person Responsible	Action Plan	Action Date	Status
7	Paragraph 27 / Audit report	The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of payables from exchange transactions, revenue and receivables from exchange transactions and expenditure, identified by the auditors in the submitted financial statements were subsequently corrected but the supporting records for free basic electricity that could not be provided resulted in the financial statements receiving a qualified audit opinion.	Financial Statements	Payables, Revenue, Receivables and Expenditure.	Chief Financial Officer	1. To address the issues that lead to a qualification as discussed below. 2. To ensure that the annual financial statements are adequately reviewed by management (first level assurance). 3. To ensure that the annual financial statements are adequately reviewed by Internal audit unit and audit committee (second level assurance).	31-Aug-18	Not started
8	Paragraph 28 / Audit report	The annual performance report for the year under review did not include the performance of each of the external service providers, as required by section 46(1)(b) of the Local Government: Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA).	Performance information	Strategic Planning and Performance Management	Director: Corporate Services	To ensure that the performance of external services providers is assessed and the results be included in the annual performance report.	Immediately	In-progress
9	Paragraph 29 / Audit report	Sufficient appropriate audit evidence could not be obtained for two contracts and one quotation that were awarded in accordance with legislative requirements, as competitive bidding documents and quotations were provided for audit.	Compliance	Supply Chain Management	Chief financial officer / SCM Manager	1. To enhance the document management system of the municipality. 2. The enhance document management system to cover the following: 2.1 Tender register to be maintained 2.2 To ensure all items in a tender register are supported by related SCM documents 2.3 A validation or reconciliation of tender register of items in a tender register to supporting documents be performed on a regular basis.	Immediately	In-progress

#	Reference to audit report	Finding	Audit Area	Component Affected	Person Responsible	Action Plan	Action Date	Status
10	Paragraph 30 / Audit report	In 11 instances, goods & services with transaction value of R200,00.00 were procured without obtaining the required quotations, in contravention of the Municipal Supply Chain Management Regulations, 2005 (MSCMR) 17(a) and 17(c).	Compliance	Supply Chain Management	Chief Financial Officer	1. Implement a SCM checklist, to be attached to each expenditure voucher. 2. Strictly monitor the implementation of the SCM checklist.	Immediately	In-progress
11	Paragraph 31 / Audit report	In eight instances, quotations were accepted from bidders and in 11 instances, contracts were awarded to providers, whose tax matters had not been declared to be in order by the South African Revenue Service(SARS) and in 11 instances contravention of MSCMR 43.	Compliance	Supply Chain Management	Chief Financial Officer	1. Implement a SCM checklist, to be attached to each expenditure voucher. 2. Strictly monitor the implementation of the SCM checklist.	Immediately	In-progress
12	Paragraph 32 / Audit report	In 10 instances, goods and services with a transaction value above R200,000.00 were procured without inviting competitive bids, as required by MSCMR regulation 19(a). Furthermore, deviations in this regard were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of MSCMR 36(1).	Compliance	Supply Chain Management	Chief Financial Officer	1. Implement a SCM checklist, to be attached to each expenditure voucher. 2. Strictly monitor the implementation of the SCM checklist.	Immediately	In-progress
13	Paragraph 33 / Audit report	In six instances, competitive bids were not always evaluated by the bid evaluation committee, which should have been composed of the officials from the department requiring the goods and services and at least one supply chain management (SCM) practitioner of the municipality, as required by the MSCMR 28(2).	Compliance	Supply Chain Management	Chief Financial Officer	1. Implement a SCM checklist, to be attached to each expenditure voucher. 2. Strictly monitor the implementation of the SCM checklist.	Immediately	In-progress

#	Reference to audit report	Finding	Audit Area	Component Affected	Person Responsible	Action Plan	Action Date	Status
14	Paragraph 34 / Audit report	In 13 instances, contracts were awarded through a competitive bidding process that were not adjudicated by bid adjudication committee in accordance with MSCMR 29(1).	Compliance	Supply Chain Management	Chief Financial Officer	1. Implement a SCM checklist, to be attached to each expenditure voucher. 2. Strictly monitor the implementation of the SCM checklist.	Immediately	In-progress
15	Paragraph 35 / Audit report	In 13 instances, competitive bids were adjudicated by a bid adjudication committee that was not appropriately composed in accordance with MSCMR 29(2).	Compliance	Supply Chain Management	Chief Financial Officer	1. Implement a SCM checklist, to be attached to each expenditure voucher. 2. Strictly monitor the implementation of the SCM checklist.	Immediately	In-progress
16	Paragraph 36 / Audit report	Sufficient appropriate audit evidence could not be obtained in four instances, that the preference points system was applied in the procurement of goods and services above R30 000, as required by section 2 of Preferential Procurement Policy Framework Act of South Africa, 2000 (Act No.5 of 2000) (PPPFA).	Compliance	Supply Chain Management	Chief Financial Officer	1. Implement a SCM checklist, to be attached to each expenditure voucher. 2. Strictly monitor the implementation of the SCM checklist.	Immediately	In-progress
17	Paragraph 37 / Audit report	Sufficient appropriate audit could not be obtained in four instances, that contracts were awarded to suppliers based on preference points that were allocated and calculated in accordance with the requirements of section 2 of the PPPFA and Preferential Procurement Regulation of South Africa, 2011 (PPR) 5 and 6.	Compliance	Supply Chain Management	Chief Financial Officer	1. Implement a SCM checklist, to be attached to each expenditure voucher. 2. Strictly monitor the implementation of the SCM checklist.	Immediately	In-progress

#	Reference to audit report	Finding	Audit Area	Component Affected	Person Responsible	Action Plan	Action Date	Status
18	Paragraph 38 / Audit report	Sufficient appropriate audit evidence could not be obtained in four instances that contracts were awarded to bidders based on points given for criteria that were stipulated in the original invitation for bidding and quotations, as required by PPR 2.	Compliance	Supply Chain Management	Chief Financial Officer	1. Implement a SCM checklist, to be attached to each expenditure voucher. 2. Strictly monitor the implementation of the SCM checklist.	Immediately	In-progress
19	Paragraph 39 / Audit report	Bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local content and production, as required by PPR 9(1).	Compliance	Supply Chain Management	Chief Financial Officer	1. Implement a SCM checklist, to be attached to each expenditure voucher. 2. Strictly monitor the implementation of the SCM checklist.	Immediately	In-progress
20	Paragraph 40 / Audit report	Commodities designated for local content and production were procured from suppliers who did not submit a declaration and meet the prescribed minimum threshold on local content and production, as required by PPR 9(1) and 9(5).	Compliance	Supply Chain Management	Chief Financial Officer	1. Implement a SCM checklist, to be attached to each expenditure voucher. 2. Strictly monitor the implementation of the SCM checklist.	Immediately	In-progress
21	Paragraph 41 / Audit report	Sufficient appropriate audit evidence could not be obtained in 17 instances, that extensions or modifications to contracts were approved by a properly delegated official, as required by MSCMR 5.	Compliance	Supply Chain Management	Chief Financial Officer	1. Implement a SCM checklist, to be attached to each expenditure voucher. 2. Strictly monitor the implementation of the SCM checklist.	Immediately	In-progress
22	Paragraph 42 / Audit report	The performance of some of the contractors or service providers were not monitored on a monthly basis, as required by section 116(2)(b) of MFMA.	Compliance	Strategic planning and performance management	Director: Corporate Services	Create and implement the checklist for the service provider that are in Corp. Serv. Department.	Immediately	In-progress

#	Reference to audit report	Finding	Audit Area	Component Affected	Person Responsible	Action Plan	Action Date	Status
23	Paragraph 43 / Audit report	The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, in contravention of section 116(2)(c) of the MFMA.	Compliance	Strategic planning and performance management	Director: Corporate Services	Monitor checklist for the service provider that are in Corp. Serv. Department. Produce monthly reports	Immediately	In-progress
24	Paragraph 44 / Audit report	Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of MSCMR.	Compliance	Supply chain management	Chief financial officer / SCM Manager	1. Implement a SCM checklist, to be attached to each expenditure voucher. 2. Strictly monitor the implementation of the SCM checklist.	Immediately	In-progress
25	Paragraph 45 / Audit report	Key performance indicators were not set for the provision of basic solid waste removal services, as required by section 43(2) of the MSA and section 10(a) of municipal planning and performance management regulation, 2001.	Compliance	Strategic planning and performance management	Director: Community Services	To ensure that key performance indicators are set for solid waste removal services and these to be included in the IDP, SDBIP and annual performance report.	28-Feb-18	Not started
26	Paragraph 46 / Audit report	Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.	Compliance	Expenditure management	Chief Financial Officer	1.To send communication to all creditors, post the communication in the municipality's website informing all service providers to send all invoices to finance. 2.The creditors section will ensure that regular follow up is made on outstanding invoices in conjunction with the Supply chain management by reviewing outstanding order file. 3.Improve cash flow by improving debts collection and use the money collected to pay creditors within 30 days.	Immediately	In-progress

#	Reference to audit report	Finding	Audit Area	Component Affected	Person Responsible	Action Plan	Action Date	Status
27	Paragraph 47 / Audit report	Effective steps were not taken to prevent irregular expenditure of R58,3 million as disclosed in note 40.3 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of irregular expenditure was caused by competitive bidding process not being followed in awarding contracts.	Compliance	Expenditure management	Chief Financial Officer	1. Implement a SCM checklist, to be attached to each expenditure voucher. 2. Strictly monitor the implementation of the SCM checklist.	Immediately	In-progress
28	Paragraph 48 / Audit report	Effective steps were not taken to prevent fruitless and wasteful expenditure of R781 075, as disclosed in note 40.2 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the of the fruitless and wasteful expenditure incurred was caused by penalty interest due on late payments to supplies.	Compliance	Expenditure management	Chief Financial Officer	1. To ensure that payment to service providers is made within 30 days. 2. To implement consequence management where fruitless and wasteful expenditure is incurred.	Immediately	In-progress
29	Paragraph 62 / Audit report	The municipality did not evaluate its performance in respect of programs funded by the Municipal infrastructure grant.	Compliance	Grant management	Director: Corporate Services / Director: Technical Services	To ensure that the performance of programs funded by MIG are evaluated by Technical Services on a regular basis.	Immediately	In-progress
30	Paragraph 63 / Audit report	There was no evidence that an approved staff establishment was in place as required by section 66(1)(a) of the MSA	Compliance	Human Resource Management	Director: Corporate Services	Organo gram to be presented in LLF and Council for approval	Immediately	In-progress
31	Paragraph 64 / Audit report	Job descriptions were not established for posts in which appointments were made, as required by section 57(2)(a) of the MSA.	Compliance	Human Resource Management	Director: Corporate Services	Job descriptions created for all the positions within the establishment. Consultation and signing process scheduled.	Immediately	In-progress

#	Reference to audit report	Finding	Audit Area	Component Affected	Person Responsible	Action Plan	Action Date	Status
32	Paragraph 65 / Audit report	The municipal manager's performance agreement was not signed within the prescribed period as required by section 57(2)(a) of the MSA.	Compliance	Human Resource Management	Director: Corporate Services	Ensure that performance agreements are signed by all senior managers.	Immediately	In-progress
33	Paragraph 66 / Audit report	I was unable to obtain sufficient appropriate audit evidence that the senior managers disclosed financial interests within 60 days from the date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers.	Compliance	Human Resource Management	Director: Corporate Services	Ensure that declaration of financial interest forms are signed by all senior managers.	Immediately	In-progress
34	Paragraph 67 / Audit report	Appropriate systems and procedures to monitor, measure and evaluate performance of staff below the level of senior management, were not developed and adopted as required by section 67(1)(d) of the MSA.	Compliance	Human Resource Management	Director: Corporate Services	Create the performance measurement system tool. Quantify the budget required. Get the budget approved. Implement the said tool.	Immediately	In-progress
35	Paragraph 68 / Audit report	Interest was not charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.	Compliance	Revenue Management	Chief financial officer	To ensure that interest is charged on all consumer accounts in arrears where council has not granted the exemption.	Immediately	In-progress

APPENDICES

APPENDIX A: COUNCILLORS, COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance						
	Council Members	Full Time / Part Time	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
		FT/PT			%	%
1	Cllr B C Nhlabathi	PT	Finance , Corporate Services & Technical Services, EXCO	ANC/PR	100%	-
2	Cllr B Mvelase	PT	Finance, Corporate Services, Social Services, Planning Development and LED, EXCO	ANC/10	100%	-
3	Cllr A Z Thabede	PT	Finance	IFP / PR	100%	-
4	Cllr E N Buthelezi	PT	Finance & EXCO	IFP / 4	100%	-
5	Cllr K E Nxumalo	PT	EXCO, Social Services	IFP/PR	100%	-
6	Cllr I A Stokfeer	PT	EXCO, Finance, Technical Services, Planning Development & LED	ANC/11	100%	-
7	Cllr V G Masuku	PT		ANC/PR	93%	100%
8	Cllr F F Simelane	PT	Finance & Technical Services	Independent/1	100%	-
9	Cllr N J Mkhwanazi	PT	Planning Development & LED	ANC / 2	100%	-
10	Cllr N Mntungwa	PT	Mpac	ANC/PR	100%	-
11	Cllr B C Gumbi	PT	Social Servcies	ANC / 9	100%	-
12	Cllr N P Mavuso	PT	Mpac, Planning Development & LED	IFP / 6	100%	-
13	Cllr N T Mavimbela	PT	Corporate Services	ANC / 5	100%	-
14	Cllr S R Ntshangase	PT	Planning Development & LED	EFF /PR	93%	100%
15	Cllr C B Ndlangamandla	PT	Planning Development & LED	ANC / 8	100%	-
16	Cllr P S Ntshangase	PT	Corporate Services	ANC / 3	100%	-
17	Cllr S V Ndlangamandla	PT	Technical Services	ANC / 12	100%	-
18	Cllr D Nyawo	PT	Mpac, Social Services	ANC / 13	100%	-
19	Cllr Z Khumalo	PT	Corporate Services	IFP /PR	100%	-
20	Cllr D M Nkabanjani	PT	Social Servcies	DA / PR	100%	-
21	Cllr J W Buthelezi	PT	Social Servcies	IFP / PR	100%	-
22	Cllr M S Masuku	PT	Technical Services	IFP /PR	100%	-
23	Cllr N E Nxumalo	PT	Social Servcies	ANC /14	100%	-
24	Cllr J S Myeni	PT	Finance & Mpac	ANC/15	100%	-

	Council Members	Full Time / Part Time	Committees Allocated	*Ward and/or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
		FT/PT			%	%
25	Cllr R B Shongwe	PT	Corporate Services, Technical Services	IFP/PR	100%	-
26	Cllr G H Mpanza	PT	Corporate Services	IFP/PR	93%	100%
27	Cllr J C Theron	PT	Mpac	DA/PR	93%	100%
28	Cllr V M Sikhosana	PT	Planning Development & LED	IFP/PR	71%	25%
29	Cllr T A Ntshangase	PT	Finance	ANC/7	100%	-
	Cllr M P Khumalo	PT		ANC/7	86%	0%

APPENDIX B: COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
HR/STAFF COMMITTEE	The responsibilities of the Human Resources/Staff Portfolio Committee, in respect of its functional areas, are:
	(a) to develop and recommend strategy;
	(b) to develop and recommend by-laws;
	(c) to consider and make recommendations in respect of the draft budget and IDP;
	(d) to ensure public participation in the development of policy, legislation, IDP and budget;
	(e) to monitor the implementation of Council policies; and
	(f) to exercise oversight on all functional areas.
FINANCE COMMITTEE	The responsibilities of the Finance Portfolio Committee, in respect of its functional areas, are:
	(a) to develop and recommend strategy;
	(b) to develop and recommend by-laws;
	(c) to consider and make recommendations in respect of the draft budget and IDP;
	(d) to ensure public participation in the development of policy, legislation, IDP and budget;
	(e) to monitor the implementation of Council policies; and
	(f) to exercise oversight on all functional areas.
SOCIAL COMMUNITY & LED COMMITTEE	The responsibilities of the Social, Community and Local Economic Development Portfolio Committee, in respect of its functional areas, are:
	(a) to develop and recommend strategy on all functional areas;
	(b) to develop and recommend by-laws on all functional areas ;
	(c) to consider and make recommendations in respect of the draft budget and IDP;
	(d) to ensure public participation in the development of policy, legislation, IDP and budget;
	(e) to monitor the implementation of Council policies on all functional areas; and
	(f) to exercise oversight on all functional areas.
MPAC	
	MPAC performs an oversight function on behalf of the Council it is not a duplication of, and must not be confused with either the Internal Audit Committee or the Finance Committee. MPAC is to help Council to hold the executive and municipal administration to account and to ensure the efficient and effective use of municipal resources and it will do this by reviewing public accounts and exercising oversight on behalf of Council.

Municipal Committees	Purpose of Committee
TECHNICAL INFRASTRUCTURE & PLANNING	The Technical Infrastructure & Planning Portfolio Committee will formulate recommendations for consideration by the Executive Committee in relation to:
	- Issues delegated to it by the Executive Committee or referred to it by the Municipal Manager;
	- Consideration of the Capital and Operating Expenditure as provided for in the budget for the current financial year and the right to
	authorize expenditure where such budgeted expenditure has been provisionally
	approved but excluding the right to
	reallocate expenditure from one vote to another or to the provisional status of funds where applicable;
	- Dealing with issues pertaining to the Council's Technical Infrastructure and
	Planning Services;
	- Implementing all policies and projects approved by the Council falling within the
	Terms of Reference of this
	Committee; Advising on the provision of appropriate facilities for the benefit of the
	inhabitants of the municipal area of jurisdiction;
	- annual business plans falling within the functional area of the portfolio;
	- the implementation of the business plans of the functional areas of the portfolio;
	- the review of financial performance against approved budgets relating to prior
	and current years including dealing with reports from
	the Auditor-General;
	- the draft budget in respect of the functional areas of the portfolio, including tariffs
	of charges after consultation with the relevant Head of Department;
	- reports and recommendations submitted in respect of the functional areas of the
	portfolio including comment arising from its
	- consideration of or amendments to by-laws pertaining to the function of the portfolio;
	- prioritising projects falling within the functional areas of the portfolio;
	The Portfolio Committee may consult with the Municipal Manager and the relevant Head of Department on Council's policies and programmes.

APPENDIX C: THIRD TIER ADMINISTRATIVE STRUCTURE

Third Tier Structure	
Directorate	Director/Manager (State title and name)
Local Economic Development	LED Manager – Mr T Mazibuko
Internal Audit	Internal Audit Manager – Mr B Nkosi
Project Management Unit	PMU Manager – Mr S Nkwanyane
Budget	Budget Manager – Mr S Mkhize
Risk and Performance	Risk and Performance Manager – Mr M Mdluli
Supply Chain Management	SCM Manager - Mr T Dlamini
Protection Services	Manager Protection Services – Mr S D Sithole
Thusong Center	Thusong Manager – Mr T Masondo

APPENDIX D: FUNCTIONS OF THE MUNICIPALITY

Municipal / Entity Functions		
MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*	Function Applicable to Entity (Yes / No)
Constitution Schedule 4, Part B functions:		
Air pollution	No	No
Building regulations	Yes	No
Child care facilities	No	No
Electricity and gas reticulation	Yes	No
Firefighting services	Yes	No
Local tourism	Yes	No
Municipal airports	No	No
Municipal planning	Yes	No
Municipal health services	No	No
Municipal public transport	No	No
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Yes	No
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	No	No
Storm water management systems in built-up areas	Yes	No
Trading regulations	Yes	No
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	No	No
Beaches and amusement facilities	No	No
Billboards and the display of advertisements in public places	Yes	No
Cemeteries, funeral parlours and crematoria	Yes	No
Cleansing	Yes	No
Control of public nuisances	Yes	No
Control of undertakings that sell liquor to the public	No	No
Facilities for the accommodation, care and burial of animals	No	No
Fencing and fences	No	No
Licensing of dogs	No	No
Licensing and control of undertakings that sell food to the public	No	No
Local amenities	Yes	No
Local sport facilities	Yes	No
Markets	Yes	No
Municipal abattoirs	No	No
Municipal parks and recreation	Yes	No
Municipal roads	Yes	No
Noise pollution	No	No
Pounds	Yes	No
Public places	Yes	No
Refuse removal, refuse dumps and solid waste disposal	Yes	No
Street trading	Yes	No
Street lighting	Yes	No
Traffic and parking	Yes	No

APPENDIX E: WARD INFORMATION

Functionality of Ward Committees - July 2016 to June 2017								
Ward Name Number	Name of Ward Councillor and elected Ward committee members				Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
	WARD COUNCILLOR	NAME	SURNAME	SECTOR REPRESENTED				
1	CLLR F F SIMELANE	SHONGWE	THOKOZILE SIBONGILE	FAITH BASED	YES	12	12	18
		DLAMINI	ZAKHELE ZENZELE	SPORTS				
		DLAMINI	SIFISO SIKHUMBUZO	EDUCATION				
		NGEMA	ZAKHELE MTHOBENI	YOUTH				
		BUTHELEZI	THANDIZWE ISHMAEL	SENIOR CITISENS/ PHYSICALLY CHALLENGED				
		DLAMINI	MATHAYI MOSES	SAFETY & SECURITY				
		MASANGO	DUMAZILE GLENROSE	HEALTH & SOC DEV				
		BUTHELEZI	THANAZILE NESTER	WOMEN				
		MASANGO	DERRICK LINDIZWE	TRANSPORT				
2	CLLR N J MKHWANAZI	MATHENJWA	QONDILE ESTHER	FAITH BASED	YES	12	12	5
		MYENI	SIFISO HENRY	CIVIL SOCIETY				
		KLEINBOOI	DUDUZILE BETTY	WOMEN				
		MKHWEBANE	NKOSINATHI GILBERT	TRANSPORT				
		MAHLOBO	SANDILE FREDDY	SAFETY& SECURITY				
		SIMELANE	LUKE MANDLA	BUSINESS				
		NYAWO	JABU HAPPINESS	HEALTH &SOCIAL DEV				
		NXUMALO	ROBERT MFANUFIKILE	YOUTH				
		MATHE	MDUDUZI SIPHO	SPORTS				
3	CLLR P S NTSHANGASE	SIBIYA	MTHOKOZISI THULANI	BUSINESS	YES	12	12	6
		MSIBI	MTHENGANI JABULANI	TRADITIONAL				
		SIBIYA	AYANDA ANITAH	HEALTH &SOCIAL DEV				
		KHANYI	NKOSINATHI PATIENCE	WOMEN				
		MSIBI	SIPHAMEHLO WISEMAN	PHYSICALLY CHALLENGED				
		SIBIYA	NKOMOKAZIPHELELI DARIUS	FAITH BASED				
		SIBIYA	SIYABONGA MDUMISENI	YOUTH				
		SIBIYA	GREAT LINDANI	SPORTS				
		SIBIYA	THULANI C	SAFETY&SECURIT Y				

Ward Name Number	Name of Ward Councillor and elected Ward committee members				Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
	WARD COUNCILLOR	NAME	SURNAME	SECTOR REPRESENTED				
4	CLLR E N BUTHELEZI	MKHWANAZI	NTOMBENHLE MIRRIAM	WOMEN	YES	12	11	9
		MKHWANAZI	NOMFUNDO PEARL	BUSINESS				
		MNTUNGWA	BHEKOKWAKHE HUMPREY	TRANSPORT				
		KHUMALO	DORIS THANDWA	PHYSICALLY CHALLENGED				
		SITHOLE	MADODA ALTON	SAFETY & SECURITY				
		ZIYANE	BONGINKOSI SIBUSISO	SPORTS				
		SHABANGU	MZWELENI HOPEWELL	YOUTH				
		XABA	NKOSINATHI CHRISTOPHER	EDUCATION/ FARMERS				
		MNGOMEZULU	THOKO ZANELE	FAITH BASED				
		KHAOLA	THISETSO GRACE	TRADITIONAL				
5	CLLR N T MAVIMBELA	NGWENYA	MXOLISI GOODSON	SAFETY&SECURITY	YES	12	11	6
		NTSHANGASE	NDLOZILEMA JOSEPH	FAITH BASED				
		NKOSI	TSHENGISILE REBBECA	WOMEN/SOCIAL DEV				
		NKOSI	THULANI GILBERT	TRANSPORT				
		MTSHALI	JABULANI J	TRADITIONAL				
		NDINISA	MADODA NTINGANA	PHYSICALLY CHALLENGED				
		KUNENE	SIPHO MFANUFIKILE	SPORTS				
		MSIMANGO	SANDILE SIYABONGA B	YOUTH				
		SHANDU	AMOS MAZABA	BUSINESS				
6	CLLR N P MAVUSO	SIBIYA	WELCOME BHEKINKOSI	YOUTH &SPORTS	YES	12	12	9
		MALINGA	MVUMELENI ANDERSON	TRADITIONAL				
		MAVUSO	BETRAM BONWAYINKOSI	TRANSPORT				
		MASUKU	STAFFNURSE HAZEL	WOMEN				
		SIBIYA	PRUDENCE CELUMUSA	HEALTH&SOCIAL DEV				
		MALINGA	ZIBUSE AMON	SAFETY&SECURITY				
		SIBIYA	VUYISWA VALENTINE	PHYSICALLY CHALLENGED				
		SIBIYA	HAPPY ZONE	FARM WORKERS				
		DLUDLU	NHLANHLA ICABORD	TOURISM/ENVIRONMENT				
		SIBIYA	CELINHALNHLA GLOREY	EDUCATION				

Ward Name Number	Name of Ward Councillor and elected Ward committee members				Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
	WARD COUNCILLOR	NAME	SURNAME	SECTOR REPRESENTED				
7	CLLR T NTSHANGASE	NTSHANGASE	ANDRIES MGAZIFIHLENI	SAFETY & SECURITY	YES	12	12	4
		SHABANGU	SELBY MDUDUZI	TRADITIONAL				
		MAUPA	ZIPHOKUHLE NURSE	HEALTH&SOCIAL / TRANSPORT				
		NGWENYA	KIKI HAPPINESS	WOMEN/PHYSICALLY CHALLENGED				
		KHUMALO	DUMILE SAMUEL	SENIOR CITISENS				
		MAMBA	GUGULAKHE CHRISTOPHER	TOURISM/ENVIRONMENT				
		SIKHOSANA	NKULULEKO KHULEKAN C	YOUTH				
		MAVUSO	HAMBOFAYO ZACHARIA	AGRICULTURE/FAITH BASED				
		SKHOSANA	PHINDAVELE	BUSINESS				
		YENDE	SAMSON ZWELINJANI	CIVIL SOCIETY				
8	CLLR C B NDLANGAMA NDLA	NKOSI	MPISIYAKHE EXCELLENT	TRANSPORT	YES	12	12	7
		MHLONGO	SIPHIWE PRAYER	HEALTH & WELFARE				
		NTSHANGASE	LUNGISILE TREASURE	EDUCATION				
		DLAMINI	PHATHI WELCOME	FAITH BASED				
		DLAMINI	SENZELENI JELLITA	WOMEN				
		NXUMALO	BUSISIWE ZANELE	AGRICULTURE				
		SHABANGU	CELWAPHI ALEXINAH	BUSINESS				
		DHLAMINI	NKOSINATHI CYRIL	YOUTH				
		MASONDO	THOKOZILE ALBERTINA	TRADITIONAL				
		SIBIYA	BONGANI	SPORTS				
9	CLLR B C GUMBI	SIMELANE	LONDEKILE S	EDUCATION	YES	12	12	13
		KUNENE	PRIMROSE PHAKAMILE	YOUTH				
		SIKHOSANA	SIPHIWE ALETAH	WOMEN				
		MYENI	THOBEKILE PATIENCE	TRANSPORT				
		SHAMASE	NOMUSA PORTIA	PHYSICALLY CHALLENGED				
		THABEDE	NKOSINGIPHILE PATRICK	SPORTS				
		NTSHAKALA	MBHEKISENI NICJHOLUS	FAITH BASED				
		BUTHELEZI	THANDAZILE CONSTANCE	SAFETY & SECURITY				
		NTSHANGASE	BOKONYA SAMSON	TRADITIONAL				
		NSIBANDE	SAMUKELISIWE THULISILE	BUSINESS				

Ward Name Number	Name of Ward Councillor and elected Ward committee members				Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
	WARD COUNCILLOR	NAME	SURNAME	SECTOR REPRESENTED				
10	CLLR B MVELASE	XABA	THOKO BEATRICE	EDUCATION	YES	12	12	5
		HLATSHWAYO	NOKULUNGA NURSE	YOUTH				
		MOLEFE	SIMON THULANE	WOMEN				
		DUZE	MSIZI	TRANSPORT				
		MAVUSO	NELISIWE ELIZABETH	PHYSICALLY CHALLENGED				
		THABEDE	SIZIWE MARGARET	SPORTS				
		LANGA	THOKOZANI ZACHARIA	FAITH BASED				
		MHLONGO	THEMBA	SAFETY & SECURITY				
		NDWANDWE	SIMANGELE	TRADITIONAL				
		DLAMINI	BABAZILE SIPHO	BUSINESS				
11	CLLR I A STOKFEER	DLAMINI	MBHEKENI SAMUEL	EDUCATION	YES	12	12	6
		KHUMALO	MNDENI ROSEMAN	TRANSPORT				
		MABASO	NHLANHLA	YOUTH				
		MTHETHWA	BONGINKOSI VINCENT	HEALTH & SOCIAL DEV				
		NKOSI	LIHLE HAZEL	PHYSICALLY CHALLENGED				
		MAFULEKA	SIBUSISO NHLANHLA	BUSINESS				
		DLAMINI	SHOGI MSHIGO	TRADITIONAL				
		SIBIYA	CELUXOLO EUNICE	WOMEN				
		DLAMINI	SCELO LEON	SAFETY & SECURITY				
		MADUNA	ISAAIC	SPORTS				
12	CLLR S V NDLANGAMA NDLA	MPANZA	MHLAKAZENI ELLIOT	SAFETY & SECURITY	YES	12	12	7
		MNTUNGWA	MHLOMISENI ROBERT	TRADITIONAL				
		RADEBE	PETROS	AGRICULTURE/TRANSPORT				
		ZWANE	MZAMO RICHMAN	YOUTH				
		MHLONGO	MANDLENKOSI RICHMAN	EDUCATION				
		NKOSI	NUNUIVE GOODNESS	PHYSICALLY CHALLENGED				
		MAVUSO	NOMATHEMBA MAUREEN	BUSINESS/NGO/ORGANISED				
		NTSHANGASE	THEMBI SANDRA	WOMEN				
		NTSHANGASE	LINDELANI THUBELIHLE	HEALTH & WELFARE				
		HADEBE	NTOKOZO	SPORTS				

Ward Name Number	Name of Ward Councillor and elected Ward committee members				Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
	WARD COUNCILLOR	NAME	SURNAME	SECTOR REPRESENTED				
13	CLLR D NYAWO	KHUMALO	NOMTHANDAZO SWEETNESS	YOUTH/EDUCATION	YES	12	12	10
		MKHULISI	DUDUZILE GLADYS	AGRICULTURE/ENVIRONMENT				
		MAHLOBO	VUKILE SYLVIA	SAFETY/SECURITY /TRANSPORT				
		NTSHANGASE	MHLABEHLANGENE NICHOLUS	COMMUNITY BASED				
		KHANYE	NOBUHLE CHRISTINAH	WOMEN .RELIGIOUS				
		NTULI	NOMUSA MAUREEN	HEALTH/WELFARE				
		NDLANGAMA NDLA	KHETHIWE NTOMBIZODWA	SPORTS/ARTS&CULTURE				
		NGWENYA	MFANAWENKOSI R	TRADITIONAL				
		NTSHANGASE	JOSHUANDODENOBU QIL	BUSINESS/INFORMAL TRADERS				
14	CLLR N E NXUMALO	XULU	DUMISANI CHRISTIAN	SPORTS	YES	12	12	17
		NDLAZI	MLUNGISI SAMSON	YOUTH				
		MAGAGULA	KHULISILE GLADYS	PHYSICALLY CHALLENGED				
		MATHE	BHEKUYISE SHADRACK	FARMERS				
		GUMBI	NKOSINATHI	TRANSPORT				
		GUMBI	GUGU SYDNEY	TRADITIONAL				
		NKOSI	SHOBANE JENENE	SAFETY &SECURITY				
		MATHOBELA	SIMANGELE GOODNESS	WOMEN				
		MABIKA	FLORENCE NCANE	FAITH BASED				
WARD 15	CLLR J S MYENI	KHUMALO	NOZIPHO MARIA	SAFETY AND SECURITY	YES	12	12	10
		ZUNGU	DUDUZILE ANNACLETTA	BUSINESS/INFORMAL TRADERS				
		KHUMALO	LUNGISANI INNOCENT	YOUTH				
		MBATHA	ANDILE PERTUNIA	SPORTS,ARTS/CULTURE				
		NKOSI	GCINAPHI MUZIKAWUFUNWA E	TRADITIONAL				
		ZULU	THOBILE PREETYGIRL	AGRICULTURE				
		SIMELANE	THULISILE NTOMBIZODWA	PHYSICALLY CHALLENGED				
		NKOSI	NQOMPO ANDRIES	TRANSPORT				
		MALINGA	THULANI I	EDUCATION				
		MYENI	NURSE EUNICE	WOMEN				
TOTAL						180	180	132

APPENDIX F MUNICIPAL AUDIT COMMITTEE RECOMMENDATIONS

Municipal Audit Committee Recommendations		
Date of Committee	Audit Committee recommendations during Year 2016/2017	Recommendations adopted (enter Yes) If not adopted (provide explanation)
08-Dec-16	The minutes of the previous meeting to be confirmed by the signature of the Chairperson of the Audit Committee for approval.(Meeting was held on the 27th of August 2016)	yes
	Prof S. Perumal suggested that a letter should be written to the CFO stating that AFS has not been timeously submitted to the Internal Audit Section and to the Audit Committee, the AG is expressing concerns that the Annual Financial Statements are not properly reviewed because of time constraints with regards to the submission of the AFS by the Finance Department	yes
	The minutes of the previous meeting to be confirmed by the signature of the Chairperson of the Audit Committee for approval. (meeting was held on the 08 of October 2016)	yes
	Prof suggested that a letter should be written and state that when the directors are out of the office they should nominate the second in charge to attend on their behalf.	yes
	The Municipal Manager suggested that they should have a meeting on the first week of January when they come back from the holidays to discuss the findings because he hates the situation of putting management comments just for the sake of putting them and put dates which they will not honour at the end of the day	yes
	Prof S. Perumal suggested that the PMS and Risk Manager should work together with the Municipal Manager and try to resolve other issues	yes
	Prof S. Perumal suggested that the Municipal Manager should discuss this issue at the MANCO meeting which will take place early January 2017	yes
	Prof S. Perumal suggested that a letter should be written to the Municipal Manager stating that the Audit Committee is expressing concerns, because there are no documented arrangements done and it is big amounts that are involved and urgent attention should be given to this matter.	yes
	Prof S. Perumal suggested that the Corporate Services Director should provide proof to the next meeting	yes
	Prof S. Perumal suggested that the Corporate Services Director should show us progress in the next meeting	yes
	Prof S. Perumal suggested that the Corporate Services Director should provide clarity on the findings in the next meeting	yes
	Prof S. Perumal suggested that the Corporate Services Director should respond to all the HR related issues	yes
	Prof S. Perumal suggested that the Municipal Manager should use the dashboard report as a guideline when conducting meetings	No, the office of the AG had changed using the faces on dashboard report
	The Municipal Manager suggested that the Chief Internal Auditor should take this matter to them so that they can find a solution	yes

Date of Committee	Audit Committee recommendations during Year 2016/2017	Recommendations adopted (enter Yes) If not adopted (provide explanation)
20-Dec-16	The minutes of the previous meeting to be confirmed by the signature of the Chairperson of the Audit Committee for approval.	yes
	Prof S. Perumal suggested that the Municipal Manager should take this matter up at MANCO	yes
	The Chief Internal Auditor said that the matter will be discussed in the meeting that will take place in January 2017 since they still need to meet with the Municipal Manager	yes
	The Chief Internal Auditor to present the IT report to the Audit Committee	yes
	Prof S. Perumal suggested that the Municipal Manager should address all the issues that the municipality has with regards to performance in the meeting that will take place in January 2017	yes
	Prof S. Perumal suggested that the Chief Internal Auditor should work together with the MPAC Chairperson to try and resolve the issue of the MPAC administrator	yes
	The PMS and Risk Manager to give updates to the MANCO when it sits so that they can highlight where they are short	yes
	The PMS and Risk Manager needs all the Directors to put more effort especially on the ones that need intervention	yes
	The Chief Internal Auditor and the PMS and Risk Manager will assist the Municipal Manager to ask for the request from COGTA	yes
	Prof S. Perumal suggested that the Municipal Manager should look at it and decide because there are two options, whether they go ahead with the appointment of the service provider or they ask for assistance from COGTA	yes
	Prof S. Perumal suggested that the Corporate Services Director should design his own matrix and the Chief Internal Auditor will assist him to develop the matrix. The Corporate Services Director should do a follow-up matrix and present it to the next meeting	yes
08-Oct-16	The minutes of the previous meeting to be confirmed by the signature of the Chairperson of the Audit Committee for approval.	yes
	Prof S.Perumal suggested that the Chief Internal Auditor should get feedback for the next meeting.	yes
	The Chief Internal Auditor to present the Audit Committee Checklist Work Plan in the next Audit Committee meeting.	yes
	The Audit Committee suggested that the Chief Internal Auditor should get somebody on board to assist him with the investigation since it is a high risk.	yes
	The Audit Committee suggested that the Chief Internal Auditor should discuss this matter with the Director Corporate Services to intervene because he has skills to coach since he is an HR person	yes
	Chief Internal Auditor to do a follow up on this matter	yes
	The PMS and Risk Manager to present the annual performance report in the next Performance meeting	yes
	The Audit Committee approved for the Contract Management Review to be postponed for Quarter 2.	yes

Date of Committee	Audit Committee recommendations during Year 2016/2017	Recommendations adopted (enter Yes) If not adopted (provide explanation)
08-Oct-16	Prof S. Perumal suggested that the Director Corporate Services should liaise with the MPAC	yes
	Prof S. Perumal suggested that the Chief Internal Auditor should mention this matter to the MPAC and state that the indigent register is of concern because of the AG's view	yes
5-Apr-17	Minutes to be signed by the Chairperson	yes
	Job description to be prepared for MPAC Administrator	yes
	Cession to be submitted to Internal Auditors for review	No, Cession was no provided to Auditors
	Camera Progress to be made in the next meeting	No, progress on cameras was not tabled to A/C
	It will be discussed in the next meeting	yes
	Asset Management Policy to be signed by the Municipal Manager	No, policy was not signed by the MM
	Director Community Services to sit with his staff regarding the submission of documents	yes
	Municipal Manager to seek legal opinion on the unsigned documents	yes
	Establishment of on-site debt collection	On-site debt collection was not established by CFO
	IGR meeting to be attended	No, IGR not convened by the District Municipality
	MPAC oversight report was noted by the committee	yes
	Assessment report to be tabled to audit committee	yes
	Assessment of audit committee by council	yes
	Quarter 3 Dashboard report to be presented in the next meeting	yes
	Scope of Audit for the current financial year to be tabled	yes
8-Mar-17	The minutes of the previous meeting to be confirmed by the signature of the Chairperson of the Audit Committee for approval.	yes
	Final Internal Audit Report to be considered in the meeting – Asset Management review	yes
	The Asset Management policy to be submitted to Municipal Manager for signing.	No, Asset Management policy was not signed by MM
	HOD's to be the responsible official.	yes
	Job description for MPAC administrator to be prepared	yes
	No leave payment to be made to employee less than 12 months' service in the municipality.	yes
	To provide PMU Manager with an evidence of unsigned leave application.	yes

Date of Committee	Audit Committee recommendations during Year 2016/2017	Recommendations adopted (enter Yes) If not adopted (provide explanation)
8-Mar-17	Document for Element Consulting Engineers (PTY) LTD to be submitted to the Municipal Manager for signing	
	Cession to be provided to the Internal Audit Unit	No, Cession was no provided to Auditors
	The issue of providing information requested by Internal Auditors to be discussed in the MANCO meeting.	yes
	Mid-Year Report 2016/2017 was noted by Audit committee	yes
	Adjustment Budget 2016/2017 was noted by Audit committee	yes
	Comprehensive Internal Audit matrix to be presented in the next meeting.	yes
	Progress on the installation of cameras.	No, progress on cameras was not tabled to A/C
	IT related matters to be added in the matrix.	yes
	All outstanding matters to be addressed before the end of April 2017.	Not all outstanding matters were addressed by end of April 2017
28-Jun-17	The minutes of the previous meeting to be confirmed by the signature of the Chairperson of the Audit Committee for approval.	yes
	Original copy to be obtained from the Contract Management Officer	yes
	Prof S. Perumal suggested that the Acting CFO and the SCM Manager should work together to overcome the challenges that they have.	yes
	Prof S. Perumal suggested that the Acting Budget Manager should give them a report in the next meeting outlining the issues under SCM.	yes
	The Acting Budget Manager will get the report for BTO 6 from the SCM Manager and submit it in the next meeting.	yes
	Prof S. Perumal asked the Acting Budget Manager to give them a summary on contracted services in the next meeting.	No, summary was not provided in the following meeting
	Prof S. Perumal suggested that the Acting Budget Manager should include the progress of the Bid Committees in the SCM report and present it in the next meeting.	yes
	Mr Jonathan Soobramoney suggested that the Acting Director Community Services should consult other municipalities and find out about the costs of such a system and present it to the Council.	No, results were not presented to council
	Acting Director Community Services to sign off all the evidence that was not signed for approval.	No, evidence was not submitted to Auditors for review
	Prof S. Perumal suggested that the Acting Director Community Services should sign the permit to operate business to rectify the mistake	yes
	Prof S. Perumal suggested that the Risk and Performance Manager should submit the report to all the HOD's to sort out all the areas that were not achieved	yes

Date of Committee	Audit Committee recommendations during Year 2016/2017	Recommendations adopted (enter Yes) If not adopted (provide explanation)
28-Jun-17	Prof S. Perumal suggested that all the areas highlighted with red should be presented to MANCO	yes
	Prof S. Perumal suggested that if the red areas do not change then the Risk and Performance Manager should present it to the next meeting.	yes
	Mr Jonathan Soobramoney suggested that the Chief Internal Auditor should look at the Risk Register and add the areas where there are more reds to the annual plan.	yes
	2017/2018 Internal Audit Annual Plan to be signed off by the chairperson of Audit Committee for approval.	yes
	Audit committee Charter was noted by the audit committee and should be submitted to EXCO for approval	yes
	Mr Jonathan Soobramoney suggested that the HOD's should attend and present the reports to the Audit Committee	yes
	Amendments to be made, internal Audit Charter was noted by Audit committee	yes



uPHONGOLO

MUNISIPALITEIT / MUNICIPALITY

Rig Korrespondensie aan:
DIE AGBARE BURGEMEESTER

Address Correspondence to:
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pongolatlc@pga.dorea.co.za

Your Ref.

U Verw: _____

Our Ref

Ons Verw: _____

Report of the Audit Committee 2016/2017

We are pleased to present our report on the review of financial statements for the year ended 30 June 2017.

Audit Committee Members and Attendance:

The audit committee is functional and currently consists of four (4) members listed hereunder and meets at least four (4) times per annum. For the year ended 30 June 2017 the current audit committee met eight (8) times during the year.

Current Audit Committee members

The Audit Committee membership and meetings related to 2016/17 financial year matters are listed below:

	Q1 Date of Meeting	Q2 Date of Meeting	Q3 Date of Meeting	Q4 Date of Meeting
a) Ordinary meeting	08 Dec 2016	08 Oct 2016	08 Mar 2017	26 Aug 2017
b) PAC meeting	20 Dec 2016	05 Apr 2017	28 Jun 2017	20 Sep 2017
Prof. S Perumal (Chairperson)	✓	✓	✓	✓
Mr. L.G Nxumalo	✓	✓	✓	✓
Mrs. A Stock	✓	X	✓	X
Mrs.C.D Nxumalo	✓	✓	✓	✓

✓ : Member attended the Audit Committee meeting.

X : Member tendered apologies

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from **section 166 of the MFMA**

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of Internal Control.

Based on the reports presented to the Audit Committee by Internal Audit unit during the audit committee meetings, the audit committee noted progress being made to improve the internal control system in the municipality. It also noted that management has implemented controls in most areas within the department to provide reasonable assurance that all major inherent risks are appropriately identified and applicable legislation is adhered to. UPhongolo Local Municipality had senior positions vacant during the year including Director Corporate Services, Director Technical Services, Municipal Manager and SCM Manager which were subsequently filled by management. A

number of vacant posts in the finance department which severely compromised the internal control systems of the municipality.

The Audit Committee experienced challenges during the year

- The performance documents were not submitted timeously to Internal Audit. This results in delays in implementing corrective measures
- Some HODs are not present at meetings to contribute to overcoming challenges experienced
- Continuous challenges with Supply Chain processes
- Lack of adequate progress with verification of information on indigenous register
- Repeated Internal Audit and Auditor General Findings are of concern. Departments must take responsibility to resolve these findings with set timeframes

There were suspected fraud and corruption cases that were referred to the committee and such cases were discussed with management for corrective measures, one such case were referred to KZN Treasury to conduct forensic investigation, but the final report was not provided to the municipality by the 30th of June 2017.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA

The audit committee has requested the management to submit the monthly and/ or quarterly reports to the committee which are prepared in terms of MFMA. The reports were submitted in the financial year 2016/2017.

Evaluation of Financial Statements

The Annual Financial Statements submitted were

- Noted on the 26th of August 2017, the finalized annual financial statements to be included in the draft annual report.
- The draft Annual report was not submitted to the Audit Committee on the 26th of August 2017 and the 20th of September 2017.
- The draft annual performance report was noted by the Audit Committee on the 20th September 2017.

Internal Audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to its results. The audit committee also recommended that the Performance Internal Auditor be appointed by the municipality, as we have identified the shortage of staff within the Internal Audit unit.

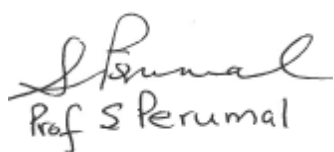
Auditor General South Africa

The Audit Committee intends to meet the Auditor General of South Africa to ensure that there are not unresolved issues.

Conclusion

The Audit committee concurs and accepts the Auditor-General's conclusion on the audited financial statement and it is of the opinion that the audited annual financial statement be accepted and read together with the report of the Auditor-General.

The audit committee would like to thank the council of UPhongolo Local Municipality for its continued good governance as well as the Municipal Manager, the Chief Financial Officer, the Internal Audit unit, the representatives from Department of local Government, office of the Auditor-general and all other stakeholders.



Prof S Perumal

Chairperson of the Audit Committee

Date: 01 -12-2017

APPENDIX H – DISCLOSURE OF FINANCIAL INTEREST

Disclosures of Financial Interests		
Period 1 July 2016 to 30 June of Year 2017 (Current Year)		
Position	Name	Description of Financial interests* (Nil / Or details)
Mayor	Cllr B C Nhlabathi	Dept of Social Dev child support grant of R 520
Member of Exco	Cllr B Mvelase	12,5% interest in Kuhlesiminye Co-op, property and land at B18, B3 and A213
	Cllr I A Stokfeer	interest in Sibalikhulu Construction Enterprise cc
	Cllr E N Buthelezi	none
	Cllr K E Nxumalo	DOE work as an Educator, House at Ncotshane value at R 250000
Councillor		
	Cllr B C Gumbi	100% interest in Tshangase General Supply cc with R9000 income, DOE work on school feeding with R9000 income
	Cllr T A Ntshangase	DOE work as Educator with R 21000 income
	Cllr V G Masuku	100% interest in Kwabukani trading cc, 20% interest in Zinojunobisi farming Co-op
	Cllr N J Mkhwanazi	Interest in Ndle and Nqaba cc, House worth R 160k in Ncotshane B section
	Cllr G H Mpanza	None
	Cllr J S Myeni	None
	Cllr S V Ndlangamandla	33,6% interest in Langalibalele Construction Pty Ltd
	Cllr C B Ndlangamandla	None
	Cllr N Mntungwa	None
	Cllr F F Simelani	None
	Cllr A Z Thabede	House at Ncotshane valued at R5k
	Cllr M P Khumalo	Interest in Qlakahle Co-Op and interest in Molea Trading Pty Ltd
	Cllr D N Nyawo	None
	Cllr N P Mavuso	None
	Cllr J W Buthelezi	None
	Cllr P S Ntshangase	None
	Cllr S R Ntshangase	50% interest in Gobbies Investment cc, Dept of Agric income as Traidman aid of R 8300
	Cllr D M Nkanjabanga	None
	Cllr J C Theron	100% in Mnzaan Game valued at R600000, Interest in Kawivest 3029 cc and Kwalitron cc, income from Mnzaan Games of R15000-R30000
	Cllr B R Shongwe	Taxi owner with income of R 15000, House at Godlwayo valued at R5k
	Cllr V M Sikhosana	House at Waterbus
	Cllr NT Mavimbela	Nil
	Cllr N E Nxumalo	Nil

Position	Name	Description of Financial interests* (Nil / Or details)
	Cllr M S Masuku	Nil
	Cllr Z Khumalo	Nil
Municipal Manager	Mr MM Ndlela	Owner of Esidweni Lodge, Property at uMbumbulu valued at R 250000
Chief Financial Officer	Mr R Mthethwa	Property at Berea valued at R 3 mil
Directors	Mr F S Msezane	None
	Mr W M Nxumalo	20 Shares from Media 24, interest in Casbeth Investment Pty Ltd, Property at Nordale Mtuba valued at R 400000
	Mr N F Buthelezi	None

APPENDIX I – LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIP

Long Term Contracts (20 Largest Contracts Entered into during Year 2016/2017)					
					R
Name of Service Provider (Entity or Municipal Department)	Description of Services Rendered by the Service Provider	Start Date of Contract	Expiry date of Contract	Project manager	Contract Value
BI INFRASTRUCTURE	ELECTRIFICATION OF WARD 1	12-Feb-16		Project manager/ Director technical	10 000 000,00
VUMESA	ELECTRICAL INFILLS WARD 7	23-Aug-16	31-Jan-19	Project manager/ Director technical	7 562 896,00
V1 SECURITY SERVICES	VIP SECURITY MAYOR & DEPUTY MATOR	1-Feb-17	31-Jan-20	Municipal Manager	7 380 000,00
SIBAYA	ROAD TARRING IN TOWN	1-Feb-17	20-Jul-17	Project manager	6 880 000,00
STANDARD BANK	FINANCE MOTOR GRADER & LOW BED	29-Jan-16	31-Jan-21	Chief Financial Officer	6 500 000,00
BI INFRASTRUCTURE	ELEC OF KWAMBUKU AND NCOTSHANE RDP	24-May-13	23-May-16	Project manager/ Director technical	6 500 000,00
OFF CAMP TRADING	CONSTRUCTION OF WARD 9 ACCESS ROAD	17-Jan-17	25-Aug-17	Project manager/ Director technical	6 150 000,00
INDUNA LOGISTICS	LANDFILL SITE	1-May-16	30-Apr-19	Director Community Services	5 618 697,48
SEBATA	INTERGRATED FINANCIAL MANAGEMENT SYSTEM	1-Oct-16	23-May-19	Chief Financial Officer	5 258 805,96
STANDARD BANK	FINANCE OF FLEET VEHICLES	30-Apr-14	30-Apr-19	Chief Financial Officer	4 700 000,00
MZAMO WORK	CONSTRUCTION OF WARD 4 ACCESS ROAD	29-Mar-16	2-Oct-16	Project manager/ Director technical	4 498 910,59
TETRAFULL PP CONSULTING	CONSTRUCTION OF WARD 3 ACCESS ROAD	20-Dec-16	19-Jun-17	Project manager/ Director technical	4 239 683,48
FIRE RAIDERS	FIRE RESCUE SERVICES RESPONSE TRUCK	2-May-17	1-May-20	Director Community Services	4 200 487,87
AMATAWUTAWU	CONSTRUCTION OF WARD 14 ACCESS ROAD	20-Dec-16	19-Apr-17	Project manager/ Director technical	3 829 052,13
ETHALA CONSTRUCTION	CONSTRUCTION OF WARD 01 ACCESS ROAD	1-Apr-16	31-Jul-17	Project manager/ Director technical	3 797 348,00
UMJATSHI ESPORWENI	CONSTRUCTION OF COMMUNITY HALL IN WARD 4	21-Feb-17	20-Jun-17	Project manager/ Director technical	3 168 866,03
MZIBANI CONSULTING	TECHNICAL SUPPORT FOR MIG PROJECTS	3-Feb-17	23-Aug-19	Project manager/ Director technical	2 773 000,00
SITA	COMMERCIAL PRINTING	1-Apr-13	31-Mar-18	Chief Financial Officer	2 636 061,27
DZM INVESTMENT	CONSTRUCTION OF COMMUNITY HALL IN WARD 13	1-Dec-14	30-Jun-16	Project manager/ Director technical	2 602 106,43
MACINA/ SPANAFRICA STEEL	CONSTRUCTION OF COMMUNITY HALL IN WARD 6	20-Dec-16	19-Apr-17	Project manager/ Director technical	2 491 252,83
					<i>T H.1</i>

Public Private Partnerships Entered into during Year 2016/2017					
					R' 000
Name and Description of Project	Name of Partner(s)	Initiation Date	Expiry date	Project manager	Value
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A

APPENDIX I (i) – REVENUE COLLECTION BY VOTE

Revenue Performance by Vote						
R'						
Vote Description	Year 2015/2016	Current: Year 2016/2017			Year 2016/2017 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Executive & Council	16 965 295	5 538 000	16 185 901	16 185 954	66%	0%
Municipal Manager	3 807 777	3 108 000	3 843 540	3 843 553	19%	0%
Budget and Treasury	66 537 759	52 771 961	59 661 508	73 634 794	28%	19%
Corporate Services	14 641 678	19 041 997	14 520 902	14 603 063	-30%	1%
Community & Social Services	8 497 564	14 337 924	8 904 443	8 874 038	-62%	0%
Housing	-	-	-	-	0%	0%
Sport & Recreation	3 791 040	4 821 647	3 837 568	3 840 454	-26%	0%
Public Safety	8 182 625	8 888 728	8 384 128	8 136 689	-9%	-3%
Planning & Development	58 636 455	57 150 862	62 069 690	59 745 049	4%	-4%
Road Transport	12 905 120	14 185 530	12 950 043	12 886 138	-10%	0%
Electricity	38 205 463	61 588 501	56 274 754	58 056 213	-6%	3%
Waste Management	12 144 956	11 409 218	11 791 403	12 535 524	9%	6%
Other	2 063 757	1 697 000	2 083 141	1 273 157	-33%	-64%
						-
Total Revenue by Vote	246 379 489	254 539 368	260 507 021	273 615	7%	5%

APPENDIX I (ii) – REVENUE COLLECTION PERFORMANCE BY SOURCE

Revenue Collection Performance by Source						
R '000						
Description	Year 2015/2016	Year 2016/2017			Year 2016/2017 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Property rates	26 875	27 834	31 568	31 402	11%	-1%
Property rates - penalties & collection charges	–	–	0	–		
Service Charges - electricity revenue	32 840	34 730	33 087	35 130	1%	6%
Service Charges - water revenue	–	–	–	–		
Service Charges - sanitation revenue	–	–	–	–		
Service Charges - refuse revenue	8 584	9 010	9 393	9 378	4%	0%
Service Charges - other	–	–	–	–		
Rentals of facilities and equipment	709	674	674	746	10%	10%
Interest earned - external investments	1 615	1 968	1 520	1 293	-52%	-18%
Interest earned - outstanding debtors	5 749	5 458	6 420	9 066	40%	29%
Dividends received	–	–	–	–		
Fines	259	441	441	202	-118%	-118%
Licences and permits	1 489	1 611	1 422	1 361	-18%	-4%
Agency services	854	806	806	795	-1%	-1%
Transfers recognised - operational	109 065	105 326	105 743	169 425	38%	38%
Other revenue	1 732	1 041	958	14 817	93%	94%
Gains on disposal of PPE	7 270	–	–	–		
Environmental Protection	–	–	–	–		
Total Revenue (excluding capital transfers and contributions)	197 040	188 899	192 031	273 615	30,96%	29,82%

APPENDIX J – CONDITIONAL GRANTS: EXCLUDING MIG

Conditional Grants: excluding MIG R'						
Details	Budget	Adjustment Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustment Budget	
CAPITAL CONDITONAL GRANTS						
<i>Flea Market Grant (ROLL OVER)</i>	211 613	-	211 613	0%	-	CONDITIONS SPECIFIED ON THE AFS
<i>Integrated National Electrification Programme Grant</i>	18 000 000	-	17 998 506	0%	-	CONDITIONS SPECIFIED ON THE AFS
<i>Sub-Rank Facility Grant (ROLL OVER)</i>	463 792	-	460 375	1%	-	CONDITIONS SPECIFIED ON THE AFS
<i>Cultural Village Grant (ROLL OVER)</i>	2 633 038	-	2 633 038	0%	-	CONDITIONS SPECIFIED ON THE AFS
<i>Street Lights Grant (ROLL OVER)</i>	428 222	-	420 764	2%	-	CONDITIONS SPECIFIED ON THE AFS
<i>Sports Facility Grant (ROLL OVER)</i>	334 000	-	167 000	50%	-	CONDITIONS SPECIFIED ON THE AFS
<i>Mass electrification programme (ROLL OVER)</i>	4 927 890		4 927 890	0%		CONDITIONS SPECIFIED ON THE AFS
OPERATIONAL CONDITIONAL GRANTS		-				
Municipal Systems Improvement Grant	-	-	-		-	CONDITIONS SPECIFIED ON THE AFS
Finance Management Grant	1 825 000	-	1 825 000	0%	-	CONDITIONS SPECIFIED ON THE AFS
Pound Grant (ROLL OVER)	490 490	509 510,00	-	100%	1 000 000	CONDITIONS SPECIFIED ON THE AFS
Provincialisation of Libraries Grant	965 000	-	965 000	0%	-	CONDITIONS SPECIFIED ON THE AFS
Library Community Services Grant	358 000	-	358 000	0%	-	CONDITIONS SPECIFIED ON THE AFS
Sports Facility Maintenance Grant	-	-	-		-	CONDITIONS SPECIFIED ON THE AFS
Expanded Public Works Programme Grant	3 021 000	-	3 021 000	0%	-	CONDITIONS SPECIFIED ON THE AFS
Zululand District Municipality Tourism Grant	-	-	-		-	CONDITIONS SPECIFIED ON THE AFS
Development Administration Grant	205 686	-	-	100%	-	CONDITIONS SPECIFIED ON THE AFS
Integrated Electrification Redds	98 000	-	-	100%	-	CONDITIONS SPECIFIED ON THE AFS
Tourism Grant Candover	290 862	-	-	100%	-	CONDITIONS SPECIFIED ON THE AFS
Strategic Support Grant	93 484	-	-	100%	-	CONDITIONS SPECIFIED ON THE AFS
Synergistic Partnership Grant	123 104	-	-	100%	-	CONDITIONS SPECIFIED ON THE AFS
Housing Community Gardens Grant	72 864	-	-	100%	-	CONDITIONS SPECIFIED ON THE AFS
Planning and Development Grant	47 621	-	-	100%	-	CONDITIONS SPECIFIED ON THE AFS
Municipal Development Grant	100 000	-	-	100%	-	CONDITIONS SPECIFIED ON THE AFS
Total	34 689 666	509 510	32 988 186	5%	1 000 000	

APPENDIX M – CAPITAL EXPENDITURE

Capital Expenditure - New Assets Programme*							
R '000							
Description	Year 2015/2016	Year 2016/2017			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	2017/2018	2018/2019	2019/2020
Capital expenditure by Asset Class							
Infrastructure - Total	36 722	52 640	45 579	45 451	30 954	34 201	45 177
Infrastructure: Road transport - Total	18 716	25 779	25 779	27 164	21 304	22 701	30 177
Roads, Pavements & Bridges	18 715 652	25 779 000	25 779 000	27 163 718	21 303 950	22 701 400	30 176 750
Storm water							
Infrastructure: Electricity - Total	17 690	26 861	18 000	18 287	9 000	11 000	15 000
Generation							
Transmission & Reticulation	17 690 247	26 861 000	18 000 000	18 287 369	9 000 000	11 000 000	15 000 000
Street Lighting							
Infrastructure: Water - Total	-	-	-	-	-	-	-
Dams & Reservoirs							
Water purification							
Reticulation							
Infrastructure: Sanitation - Total	-	-	-	-	-	-	-
Reticulation							
Sewerage purification							
Infrastructure: Other - Total	316	-	1 800	-	650	500	-
Waste Management	315 800						
Transportation			1 800 000		650 000	500 000	
Gas							
Other							
Community - Total	-	15 000	15 179	12 486	6 000	6 000	-
Parks & gardens							
Sportsfields & stadia		15 000 000	15 000 000	3 000 000	6 000 000	6 000 000	
Swimming pools							
Community halls							
Libraries							
Recreational facilities				9 486 152			
Fire, safety & emergency							
Security and policing							
Buses							
Clinics							
Museums & Art Galleries							
Cemeteries							
Social rental housing							
Other			178 800				

Table continued next page

Capital Expenditure - New Assets Programme*							
R '000							
Description	Year 2015/2016	Year 2016/2017			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	2017/2018	2018/2019	2019/2020
Capital expenditure by Asset Class							
<u>Heritage assets - Total</u>	-	-	-	-	-	-	-
Buildings							
Other							
<u>Investment properties - Total</u>	-	-	-	-	-	-	-
Housing development							
Other							
-							
<u>Other assets</u>	23 198	12 268	16 573	1 935	27 913	11 029	5 700
General vehicles	2 390 916	1 836 000	1 690 782	1 180 706	2 080 000		
Specialised vehicles			3 550 000		15 017 500	4 950 000	5 550 000
Plant & equipment	3 616 626	200 000 2 232	7 215 000	74 077	730 300	1 050 000	150 000
Computers - hardware/equipment	609 251	000	3 861 263	301 497	7 085 100	29 000	
Furniture and other office equipment	492 337		256 337	378 945			
Abattoirs							
Markets							
Civic Land and Buildings	16 089 361	5 000 000				5 000 000	
Other Buildings		3 000 000					
Other Land					3 000 000		
Surplus Assets - (Investment or Inventory)							
Other							
<u>Agricultural assets</u>	-	-		-	-	-	-
List sub-class							
<u>Biological assets</u>	-	-		-	-	-	-
List sub-class							
<u>Intangibles</u>	-	2 500	-	-	-	-	-
Computers - software & programming		2 500 000					
Other (list sub-class)							
Total Capital Expenditure on new assets	59 920	82 408	77 331	59 872	64 867	51 230	50 877

APPENDIX N – CAPITAL PROGRAMME BY PROJECT

Capital Programme by Project: Year 2016/2017						
Capital Project	Ward	Original Budget	Adjustment Budget	Actual	Variance (Act - Adj) %	Variance (Act - OB) %
MUNICIPAL MANAGER 1						
FURNITURE AND COMPUTERS		-	45 000	45 000,00	0%	100%
COUNCIL'S EXPENSES 2						
COUNCIL CHAMBER REFURBISHMENT		-	-	-		
Mayors vehicle		900 000	650 000	650 000,00	0%	-38%
Deputy Mayors vehicle			650 000	530 706,00	-22%	100%
1x air conditioner			8 000	8 000,00	0%	100%
1x laptop - Mayor			16 391	16 391,00	0%	100%
1x laptop- Speaker			16 391	16 391,00	0%	100%
ELECTRICITY 30						
Street lights		-	-	-		
Plant and equipment		-	-	-		
RINGFEEDER		-	-	-		
Electrification project		26 861 000	18 000 000	18 287 369,00	2%	-47%
Prepaid meters		-	-	-		
Transformer		-	-	-		
Cable locator		-	-	-		
TRAFFIC						
FURNITURE AND EQUIPMENTS		-	-	-		
TESTING Station						
FURNITURE AND EQUIPMENTS			31 000	31 000,00	0%	100%
Refuse removal						
Mobile toilet - (Donation)				-		
Refuse truck			1 800 000	-		
STREETS & ROADS 23						
FURNITURE AND COMPUTERS			15 000	15 000,00	0%	100%
Plant and equipment		-	7 000 000	74 077,00	-9350%	100%
PLANNING & DEVELOPMENT 11						
FURNITURE AND COMPUTERS		-	435 000	301 497,00	-44%	100%
COGTA GRANT		-	1 031 000	-		
SPORT & RECREATION 20						
Sport Facilities		-	-			
Flood lights		-	-			

Capital Project	Ward	Original Budget	Adjustment Budget	Actual	Variance (Act - Adj) %	Variance (Act - OB) %
CORPORATE SERVICES 4						
FURNITURE AND COMPUTERS		-	-	-		
Extension of office building		5 000 000				
Electronic record management system		1 200 000				
Voice recording		32 000				
Generator		1 000 000	1 000 000			
Transnet property		3 000 000				
council mic speakers			1 200 000			
HUMAN RESOURCES 6						
1x laptop for Human resource officer		-	15 000			
FINANCIAL SERVICES						
Mscoa financial system		2 500 000				
FURNITURE AND COMPUTERS		-	135 263	135 263,00	0%	100%
PROPERTY SERVICES						
AIRCONDITIONERS		-	-	-		
URN			-	-		
COMMUNITY HALL		-		-		
PALISADE FENCING - MUNICIPAL BUILDING		-	-	-		
SHELTERS FOR VEHICLES		-	-	-		
TRANSNET BUILDING		-	-	-		
REFURSHMENT OF OFFICE BUILDING		-	-	-		
FURNITURE AND EQUIPMENTS		-	-	-		-
TECHNICAL SERVICES						
FURNITURE AND COMPUTERS		-	-			
Various MIG Projects		25 779 000	25 779 000	36 649 870,00	30%	30%
Ncotsane Sport Complex		15 000 000	15 000 000	3 000 000,00	-400%	-400%
Bakkie Building inspector			350 000			
Trailer		36 000				
COMMUNITY SERVICES 13						
FURNITURE AND COMPUTERS		-	-			

LIBRARY 14						
FURNITURE AND COMPUTERS		-	171 338	111 900,00	-53%	100%
Books		-	-			
DISASTER MANAGEMENT 17						
Fire Response Bakkie		550 000	-			
Fire Response Truck		-	3 550 000			
PARK & GARDENS 18						
Plant and equipment		-	-	-		
COMMUNITY HALLS						
200x chairs for halls			54 000			

Capital Project	Ward	Original Budget	Adjustment Budget	Actual	Variance (Act - Adj) %	Variance (Act - OB) %
BELGRADE MPCC 24 - THUSONG						
FURNITURE AND COMPUTERS		-	-			
TOURISM						
parkhome		200 000	200 000			
POUND						
Bakkie & trailer		350 000				
AERODROME						
Fencing			178 800			
		82 408 000	77 331 183	59 872 464,00	-29%	-38%

APPENDIX O – CAPITAL PROGRAMME BY PROJECT BY WARD

Capital Programme by Project by Ward: Year 2016/2017		
		R' 000
Capital Project	Ward(s) affected	Works completed (Yes/No)
ELECTRICITY		
Electrification project (Dwarsland)	Ward 1	NO
Electrical infills	Ward 7	NO
Electrification project (kwambhucu)	Ward 6	YES
Elctrical infills (RDP Houses Ncotshane)	Ward 10 &2	YES
MUNICIPAL MANAGER		
COUNCIL		
STORMWATER		
TECHNICAL DEPARTMENT		
Community hall	Ward 4	NO
Community hall	Ward 6	NO
Community hall	Ward 13	Yes
Access road	Ward 14	NO
Access road	Ward 3	Yes
Access road	Ward 9	No
Access road	Ward 6	Yes
Access road	Ward 4	Yes
roads (tarring)	Ward 11	NO
Crech - Deckville	Ward 13 (Deckville)	NO
Crech	Ward 13	Yes
Crech	Ward 9	Yes
Crech	Ward 10	Yes
Multi- Purpose Centre	Ward 11	NO
Sport Complex - Ncotshane	Ward 10	NO
Sport Fied	Ward 14	Yes
Sport Fied	Ward 8	Yes
ECONOMIC DEVELOPMENT		
Imbube Cultural Village	Ward 1	No
Sub-Taxi Rank	Ward 11	No
SPORT & RECREATION		
ENVIRONMENT		
HEALTHY		
Safety and Security		
ICT and Other		

APPENDIX K – SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS THE SERVICE PROVIDER

Service Backlogs Experienced by the Community where another Sphere of Government is the Service Provider (where the municipality whether or not act on agency basis)

Services and Locations	Scale of backlogs	Impact of backlogs
Clinics:		
Ward 7	Kwalubisi area	
Ward 8	Phondwane & Bhembe areas	
Ward 9	Madanyini & Mbhekwa areas	
Housing:		
Ward 3		3850
Ward 4		2086
Ward 5		730
Ward 6		2330
Ward 9		2050
Ward 10		350
Licencing and Testing Centre:		
Reservoirs		
Services and Locations	Scale of backlogs	Impact of backlogs
Schools (Primary and High):		
Ward 7	Kwalubisi	School for Disabled kids
Ward 8	Ngwabi	Community High School
Ward 9	Kwesenkhele, Qwaqwa, Mgurra & Mbhekwa	Pre-schools
Sports Fields:		
Ward 3	Kwamsibi & KwaSbiya	
Ward 4	Mabophe	Upgrade to to multi-sport centre
Ward 6	Tharraeo, Kwankundla, Klipwal, Emabovu, Manzabovu, Thosozane, Altona, Kumgwandla, Kumagpanda & Hanafu areas	
Ward 7	Kwalubisi	Multi sports ground
Ward 8	oPhondwane, Kwamafela, Mzinsangu, Kwabhembe, Ejordan, Embangweni, eNgwabi & Kwashoba	
Ward 9	Madanyini	
Ward 10	Ncontshane	Construction of modern sport field

APPENDIX K – DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY

Declaration of Loans and Grants made by the municipality: Year 2015/2016

All Organisation or Person in receipt of Loans */Grants* provided by the municipality	Nature of project	Conditions attached to funding	Value Year 0 R' 000	Total Amount committed over previous and future years
None	N/A	N/A	N/A	N/A

APPENDIX L – NATIONAL AND PROVINCIAL OUTCOMES FOR LOCAL GOVERNMENT

National and Provincial Outcomes for Local Government		
Outcome/Output	Progress to date	Number or Percentage Achieved
Output: Improving access to basic services		
No of households with refuse removal services	To acquire additional refuse truck	4364
Households Receiving free basic services	Indigent register to be updated to enable residents to benefit from Free basic electricity	nil
Output: Implementation of the Community Work Programme	Programme fully implemented	100%
Employment created	Employment created for unemployed people	152
Output: Deepen democracy through a refined Ward Committee model		
Ward committees established	Ward committees exist in all 15 wards	100%
Functional Ward Committee	All the ward committees are fully functional	100%
Output: Administrative and financial capability		
Annual budget tabled and approved	Annual budget tabled and approved per regulation	100%
Conditional Grant Expenditure	98.4% of the Grants for the year were spent	98.4%

CONCLUSION

The Municipality is in accordance with the legislative requirements of the Local Government: Municipal Systems Act, (Act No. 32 of 2000) and the Municipal Finance Management Act (Act No. 56 of 2003), required to report on the performance of the Municipality and present the financial statements for the year under review (2015/16). The Annual Report is a key performance report to the community and other stakeholders that reflects a true, honest and accurate amount of goals set by the Council and the success or otherwise in achieving these goals.

ACRONYMS/ABBREVIATIONS

AFS	Annual Financial Statements
AG	Auditor -General
CIP	Consolidated Infrastructure Plan
COGTA	Corporative Governance and Traditional Affairs
CPMD	Certificate Programme in Management Development
DoE	Department of Energy
DOT	Department Of Transport
EXCO	Executive Committee
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
ICT	Information Communications Technology
IDP	Integrated Development Plan
IGR	Intergovernmental Relations
LED	Local Economic Development
LGSETA	Local Government Sectoral Education and Training Authorities
LLF	Local Labour Forum
LUMS	Land Use Management System
MEC	Member of Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSA	Municipal Systems Act
MTAS	Municipal Turnaround Strategy
NSDP	National Spatial Development Perspective
PMS	Performance Management Systems
SCM	Supply Chain Management
MPAC	Municipal Public Accounts Committee
SDBIP	Service Delivery and Budget Implementation Plan
SDF	Spatial Development Framework
SMME	Small Medium Micro Enterprise
ULM	uPhongolo Local Municipality
WSP	Workplace Skills Plan
APRC	Audit Performance Risk Committee

VOLUME 2 – ANNUAL FINANCIAL STATEMENTS



uPhongolo Local Municipality

Annual Financial Statements

for the year ended 30 June 2017

Annual Financial Statements

for

uPhongolo Local Municipality

for the year ended 30 June **2017**

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

Contact Information:	
Name of Acting Municipal Manager:	Nxumalo W M
Name of Acting Chief Financial Officer:	Mkhize S F
Contact telephone number:	034 413 1223
Contact e-mail address:	sthembisom@uphongolo.gov.za
Name of contact at provincial treasury:	Ndumo M
Contact telephone number:	034 413 4423
Contact e-mail address:	ndumo.mthokozisi@kzntreasury.gov.za
Name of relevant Auditor:	Auditor General
Contact telephone number:	033 264 7498 / 083 512 8058
Contact e-mail address:	farhaanA@agsa.co.za
Name of contact at National Treasury:	Ayanda Lekopa
Contact telephone number:	012 315 5453
Contact e-mail address:	Ayanda.Lekopa@treasury.gov.za

uPhongolo Local Municipality

Annual Financial Statements
for the year ended 30 June 2017

General information

Members of the Council

Nhlabathi B C	Mayor
Mvelase B	Deputy Mayor
Masuku V G	Speaker
Nxumalo K E	Member of the Executive Committee
Buthlezi E N	Member of the Executive Committee
Stokfeer I A	Member of the Executive Committee
Mtungwa N	MPAC Chairperson
Ntshangase P S	Member
Kumalo Z	Member
Simelane F F	Member
Mkhwanazi N J	Member
Mavimbela N T	Member
Ndlangamandla C B	Member
Gumbi B C	Member
Khumalo M P (Posthumus)	Member
Ndlangamandla S V	Member
Nxumalo N E	Member
Nyawo D	Member
Myeni J S	Member
Nkanjabanga D M	Member
Ntshangase S R	Member
Theron J C	Member
Shongwe B R	Member
Sikhosana P R	Member
Masuku M S	Member
Mpanza G H	Member
Buthlezi J W	Member
Thadebe A Z	Member
Mavuso N P	Member
Ntshangase T A	Member

Members of the Audit Committee

Chairperson	Perumal S
Members	Stock A
	Nxumalo L G
	Nxumalo C D

Acting Municipal Manager E-mail address	Nxumalo W M mm@uphongolo.gov.za
Acting Director Financial Services E-mail address	Mkhize S F sthembisom@uphongolo.gov.za
Director Corporate Services E-mail address	Nxumalo W M musan@uphongolo.gov.za
Director Technical Services E-mail address	Buthelezi N F T nicholasb@uphongolo.gov.za
Acting Director Community Services E-mail address	Simelane K E zamak@uphongolo.gov.za
Grading of Local Authority	Grade: 3 Low Capacity
Auditors	Auditor-General Pietermartizburg
Legal Advisors	Norton Rose Fulbright Mdledle and Associates
Bankers	First National Bank
Registered Office:	uPhongolo Municipality
Physical address:	61 Martin Street uPhongolo 3170
Postal address:	P O Box 191 Pongola 3170
Telephone number:	034 413 1223
Fax number:	034 413 1706
E-mail address:	www.uphongolo.gov.za
Offices:	Traffic Department : 034 413 2497 Ncotshane : 034 316 1530 Belgrade : 034 413 6363

uPhongolo Local Municipality

Annual Financial Statements
for the year ended 30 June 2017

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the Annual Financial Statements fairly present the state of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards Generally Recognised Accounting Practice (GRAP) including any interpretations. Guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of financial control established by the Municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Municipality and all employees are required to maintain the highest ethical standards in ensuring the Municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the Municipality. While operating risk cannot be fully eliminated, the Municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by the Management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

The Accounting Officer has reviewed the Municipality's cash flow forecast for the year ended 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 6 to 61 and appendix 62 to 76, which have been prepared on the assumption that the municipality will continue to operate as a going concern for the next 12 months, were approved and signed by the Accounting Officer.

Nxumalo W M
Acting Municipal Manager:

Date: 31 August 2017

uPhongolo Municipality -16/17 Annual Report

uPhongolo Local Municipality

Annual Financial Statements
for the year ended 30 June 2017

Municipal Manager's approval of annual financial statements

I, Nxumalo W M, Acting Accounting Officer of the uPhongolo Local Municipality, am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 61, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

The reports and statements set out on pages 6 to 61 and appendix 62 to 76 comprise the annual financial statements which have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) as prescribed by the Minister of Finance in terms of General Notice 516 of 2008 and the Accounting Framework as set out in the Accounting Standards Board (ASB) directives read together with directive 3 transitional provisions for low capacity municipalities.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

Nxumalo W M
Acting Municipal Manager

Date: 31 August 2017

uPhongolo Local Municipality

Annual Financial Statements
for the year ended 30 June 2017

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ABBREVIATIONS

VAT	Value Added Tax
GRAP	Generally Recognised Accounting Practice
PPE	Property Plant and Equipment
SALGA	South African Local Government Authority
MFMA	Municipal Finance Management Act
GEPF	Government Employees Pension Fund
NJMP	Natal Joint Municipal Pension

uPhongolo Local Municipality

Statement of Financial Position

as at 30 June 2017

			Restated
	Note	2017	2016
		R	R
ASSETS			
Current assets		82 934 866	82 882 687
Cash and cash equivalents	2	1 603 862	9 774 199
Trade and other receivables from exchange transactions	4	7 411 447	8 409 835
Trade and other receivables from non-exchange transactions	5	66 661 776	53 791 389
VAT receivable	14	7 208 521	10 361 908
Prepayments	6	49 260	545 356
Non-current assets		434 019 396	372 195 514
Property, plant and equipment	7	354 056 438	305 710 062
Intangible assets	8	262 013	349 507
Investment property	9	79 630 000	66 065 000
Heritage assets	10	70 945	70 945
Total assets		516 954 262	455 078 201
LIABILITIES			
Current liabilities		49 421 752	51 914 844
Trade and other payables from exchange transactions	11	36 235 739	32 961 726
Consumer deposits	12	2 507 818	1 724 477
Current provisions	14	6 008 181	5 896 196
Current portion of unspent conditional grants and receipts	15	2 211 354	7 690 193
Current portion of long-term borrowings	16	-	243 236
Current portion of finance lease liability	17	2 458 660	3 399 016
Non-current liabilities		16 043 638	16 140 819
Non-current portion of finance lease liability	17	2 646 900	3 745 218
Non-current provisions	14	9 939 830	8 914 147
Revenue received in advance		341 542	456 134
Defined benefit plan obligations	46	3 115 366	3 025 320
Total liabilities		65 465 390	68 055 663
Net assets		451 488 872	387 022 538
NET ASSETS			
Accumulated surplus		451 488 872	387 022 538
Total net assets		451 488 872	387 022 538

uPhongolo Local Municipality

Statement of Financial Performance
for the year ending 30 June 2017

	Note	2017 R	Restated 2016 R
REVENUE			
Revenue from exchange transactions		59 020 028	51 995 465
Service charges	19	44 507 885	40 754 026
Rental of facilities and equipment	20	745 718	709 472
Interest earned - external investments	21	1 292 521	1 615 135
Interest earned - outstanding receivables	22	9 066 176	5 119 151
Licences and permits		1 360 951	1 488 674
Other income from exchange transactions	24	2 046 777	2 309 007
Revenue from non-exchange transactions		201 029 598	186 999 432
Property rates	18	31 402 246	26 832 648
Fines		202 274	258 632
Government grants and subsidies	23	169 425 078	159 908 152
Total revenue		260 049 626	238 994 897
EXPENSES			
Employee related costs	25	70 715 687	64 216 923
Remuneration of councillors	26	8 264 176	7 757 782
Contribution to provisions	27	2 427 390	(492 149)
Debt impairment		14 019 428	13 507 390
Collection costs		220 739	121 214
Depreciation and amortisation expense	28	9 189 795	7 678 900
Repairs and maintenance		4 697 873	6 458 710
Finance costs	29	887 541	(569 913)
Bulk purchases	30	26 191 668	25 370 106
Electricity expense- free basic services	34	1 657 011	2 450 840
Contracted services	31	24 466 888	20 731 400
General expenses	32	43 950 466	38 820 790
Total expenses		206 688 662	186 051 993
(Profit)/Loss on disposal of assets	33	276 708	(276 768)
Impairment loss	34	2 182 922	43 062
Fair value gain	36	(13 565 000)	(7 270 000)
Surplus for the period		64 466 334	60 446 610

uPhongolo Local Municipality

Statement of Changes in Net Assets as at 30 June 2017

	Note	Accumulated Surplus R	Total: Net Assets R
Balance at 30 June 2016 as previously reported		387 345 979	387 345 979
Correction of prior period errors	39	(323 441)	(323 441)
Restated balance at 30 June 2016		387 022 538	387 022 538
Surplus for the period		64 466 334	64 466 334
Balance at 30 June 2017		451 488 872	451 488 872
Balance at 30 June 2015 as previously reported		325 434 655	325 434 655
Correction of prior period errors	39	1 141 273	1 141 273
Restated balance at 30 June 2015		326 575 928	326 575 928
Surplus for the period		61 911 324	61 911 324
Correction of prior period errors	39	(1 464 714)	(1 464 714)
Balance at 30 June 2016		387 022 538	387 022 538

uPhongolo Local Municipality

Cash Flow Statements

as at 30 June 2017

	Note	2017 R	Restated 2016 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		216 885 868	216 029 482
Sale of goods and services		50 764 422	51 778 881
Grants		161 968 000	159 734 000
Other receipts		4 153 446	4 516 601
Payments		(166 858 305)	(167 769 317)
Employee costs		(70 715 687)	(64 216 923)
Councillors allowances		(8 264 176)	(7 757 782)
Suppliers		(86 221 431)	(93 343 772)
Other payments		(1 657 011)	(2 450 840)
Net cash flows from operating activities before interest	37	50 027 563	48 260 165
Interest income		10 358 697	7 304 199
Interest paid		(887 541)	-
Net cash flows from operating activities after interest		59 498 719	55 564 364
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(59 908 306)	(59 939 493)
Decrease in other property, plant and equipment		-	-
Proceeds from disposal of assets		-	309 536
Purchase of intangibles		-	(347 584)
Decrease heritage assets		-	-
Decrease/(Increase) in loans and receivables		-	-
Net cash flows from investing activities		(59 908 306)	(59 977 541)
CASH FLOWS FROM FINANCING ACTIVITIES			
Unspent conditional grants and receipts		(5 478 839)	(2 645 480)
Repayment of borrowings		(243 236)	(265 979)
Proceeds from finance lease liability		1 360 345	6 349 585
Repayment of finance lease liability		(3 399 019)	(2 387 865)
Net cash flows from financing activities		(7 760 749)	1 050 261
Net increase / (decrease) in cash and cash equivalents		(8 170 336)	(3 362 916)
Net cash and cash equivalents at beginning of period		9 774 199	13 137 115
Net cash and cash equivalents at end of period	2	1 603 863	9 774 199

uPhongolo Local Municipality

Statement of Financial Position

as at 30 June 2017

Statement of Comparison of Budget and Actual Information

	Approved Budget R	Budget Adjustments R	Final Budget R	Actual Outcome R	Difference between budget and actual R
Statement of Financial Position					
Assets					
Current assets					
Cash and cash equivalents	19 085 808	(9 306 809)	9 778 999	1 603 862	8 175 137
Trade and other receivables from exchange transactions	43 060 524	(1 222 774)	41 837 750	7 411 447	34 426 303
Trade and other receivables from non-exchange transactions			-	66 661 776	(66 661 776)
VAT receivable	9 546 047	-	9 546 047	7 208 521	2 337 526
Prepayments	-	-	-	49 260	(49 260)
Non-current assets					
Non-current receivables from non-exchange transactions	-	-	-	-	-
Property, plant and equipment	370 810 144	4 918 500	375 728 644	354 056 438	21 672 206
Intangible assets	2 008 424	(1 658 917)	349 507	262 013	87 494
Investment property	58 795 000	7 270 000	66 065 000	79 630 000	(13 565 000)
Heritage assets	70 945	-	70 945	70 945	-
		-			
Total assets	503 376 892	-	503 376 892	516 954 262	(13 577 370)
LIABILITIES					
Current liabilities					
Trade and other payables from exchange transactions	49 028 774	-	49 028 774	36 235 739	12 793 035
Consumer deposits	452 507		452 507	2 507 818	(2 055 311)
VAT payable	-	-	-	-	-
Current provisions	-	-	-	6 008 181	-
Current portion of unspent conditional grants and receipts	-	-	-	2 211 354	(2 211 354)
Current portion of long-term borrowings	4 253 434	-	4 253 434	-	4 253 434
Current portion of finance lease liability			-	2 458 661	(2 458 661)
Non-current liabilities					
Non-current portion of long-term borrowings	4 479 496	-	4 479 496	-	4 479 496
Non-current portion of finance lease liability			-	2 646 900	(2 646 900)
Non-current provisions	7 313 077		7 313 077	9 939 830	(2 626 753)
Defined benefit plan obligations			-	3 115 366	(3 115 366)
Payment received in advance			-	341 542	(341 542)
Total liabilities	65 527 288	-	65 527 288	65 465 391	6 070 078
Net assets	437 849 604	-	437 849 604	451 488 871	(19 647 448)
NET ASSETS					
Accumulated surplus	437 849 604	-	437 849 604	451 488 871	(19 647 448)
Total net assets	437 849 604	-	437 849 604	451 488 871	(19 647 448)

uPhongolo Local Municipality

Statement of Financial Performance
as at 30 June 2017

Statement of Comparison of Budget and Actual Information

	Approved Budget	Budget Adjustments	Final Budget	Actual Outcome	Difference between budget and actual
	R	R	R	R	R
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Service charges	45 412 261	(2 932 932)	42 479 329	44 507 885	(2 028 556)
Rental of facilities and equipment	674 320	-	674 320	745 718	(71 398)
Interest earned - external investments	1 968 356	(448 356)	1 520 000	1 292 521	227 479
Interest earned - outstanding receivables	5 458 014	962 406	6 420 420	9 066 176	(2 645 756)
Licences and permits	1 610 530	(188 725)	1 421 805	1 360 951	60 854
Other income from exchange transactions	1 846 860	(83 127)	1 763 733	2 046 777	(283 044)
Total revenue from exchange transactions	56 970 341	(2 690 734)	54 279 607	59 020 028	(4 740 421)
Revenue from non-exchange transactions					
Property rates	26 161 735	5 405 830	31 567 565	31 402 246	165 319
Fines	441 292	-	441 292	202 274	239 018
Government grants and subsidies	170 966 000	3 251 552	174 217 552	169 425 078	4 792 474
Public contributions and donations	-	-	-	-	-
Total revenue from non-exchange transactions	197 569 027	8 657 382	206 226 409	201 029 598	5 196 811
Total revenue	254 539 368	5 966 648	260 506 016	260 049 626	456 390
Expenses					
Employee related costs	66 760 144	3 115 376	69 875 520	70 715 687	(840 167)
Remuneration of councillors	8 276 502	129 830	8 406 332	8 264 176	142 156
Debt impairment	10 084 396	-	10 084 396	16 446 818	(6 362 422)
Collection costs	-	-	-	220 739	(220 739)
Depreciation and amortisation expense	8 802 762	-	8 802 762	9 189 795	(387 033)
Repairs and maintenance	11 797 959	-	11 797 959	4 697 873	7 100 086
Finance costs	1 105 577	1 000 000	2 105 577	887 541	1 218 036
Bulk purchases	27 021 125	-	27 021 125	26 191 668	829 457
Contracted services	17 109 059	6 557 628	23 666 687	24 466 888	(800 201)
Electricity expense- free basic services	4 947 964	-	4 947 964	1 657 011	3 290 953
General expenses	40 843 668	1 514 424	42 358 092	43 950 466	(1 592 374)
Total expenses	196 749 156	12 317 258	209 066 414	206 688 662	2 377 752
(Gain)/Loss on disposal of assets	-	-	-	276 708	(276 708)
Impairment loss	-	-	-	2 182 922	(2 182 922)
Gain on fair value adjustment	-	-	-	(13 565 000)	13 565 000
Surplus / (deficit) for the period	57 790 212	(6 350 610)	51 439 602	64 466 334	(13 026 732)

uPhongolo Local Municipality

Cash Flow Statement

as at 30 June 2017

Statement of Comparison of Budget and Actual Information

	Approved Budget R	Budget Adjustments R	Final Budget R	Actual Outcome R	Difference between budget and actual R
Cash Flow Statement					
Receipts					
Taxation	-	-	-	-	-
Sales of goods and services	55 309 306	-	55 309 306	50 764 422	4 544 884
Grants	170 966 000	(6 444 000)	164 522 000	161 968 000	2 554 000
Interest received	7 384 570	555 850	7 940 420	10 358 697	(2 418 277)
Other receipts	4 547 264	-	4 547 264	4 153 446	-
Payments					
Employee costs	(148 553 881)	(11 376 000)	(159 929 881)	(78 979 863)	(80 950 018)
Suppliers	-	-	-	(95 692 587)	95 692 587
Interest paid	(1 105 577)	-	(1 105 577)	(887 541)	(218 036)
Other payments	(4 947 962)	-	(4 947 962)	(1 657 011)	(3 290 951)
Net cash flows from operating activities before interest	83 599 720	(17 264 150)	66 335 570	50 027 563	15 914 189
Interest income	7 384 570	555 850	7 940 420	10 358 697	(2 418 277)
Interest paid	(1 105 577)	-	(1 105 577)	(887 541)	(218 036)
Net cash flows from operating activities after interest	89 878 713	(16 708 300)	73 170 413	59 498 719	13 277 876
Cash Flows From Investing Activities					
Purchase of fixed assets (PPE)	(74 658 000)	(2 673 183)	(77 331 183)	(59 908 306)	(17 422 877)
Proceeds from sale of fixed assets	-	-	-	-	-
Proceeds from sale of investments	-	-	-	-	-
Decrease in heritage assets	-	-	-	-	-
Decrease/(Increase) in Loans and receivables	-	-	-	-	-
Movement	-	-	-	-	-
Net cash flows from investing activities	(74 658 000)	(2 673 183)	(77 331 183)	(59 908 306)	(17 422 877)
Cash Flows From Financing Activities					
Proceeds from borrowings	3 050 000	11 950 000	15 000 000	-	15 000 000
Unspent conditional grants	-	-	-	(5 478 839)	-
Repayment of borrowings	(3 470 307)	(529 639)	(3 999 946)	(243 236)	(3 756 710)
Proceeds from finance lease liability	-	-	-	1 360 345	(1 360 345)
Repayment of finance lease liability	-	-	-	(3 399 019)	3 399 019
Net cash flows from financing activities	(420 307)	11 420 361	11 000 054	(7 760 749)	13 281 964
Net increase / (decrease) in cash and cash equivalents	8 521 413	(8 516 972)	4 441	(8 170 336)	8 174 777
Net cash and cash equivalents at beginning of period	10 564 095	(789 896)	9 774 199	9 774 199	-
Net cash and cash equivalents at end of period	19 085 508	(9 306 868)	9 778 640	1 603 863	8 174 777

uPhongolo Local Municipality

Statement of Comparison of Budget and Actual Information

as at 30 June 2017

	2 017											2 016			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Financial Performance															
Property rates	26 161 735	5 405 830	31 567 565			31 567 565	31 402 246		165 319	99%	120%	-	-	-	-
Service charges	45 412 261	(2 932 932)	42 479 329			42 479 329	44 507 885		(2 028 556)	105%	98%	-	-	-	-
Transfers recognised - operational	170 966 000	3 251 552	174 217 552			174 217 552	169 425 078		4 792 474	97%	99%	-	-	-	-
Other own revenue	11 999 372	242 198	12 241 570			12 241 570	14 714 417		(2 472 847)	120%	123%	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	254 539 368	5 966 648	260 506 016			260 506 016	260 049 626		456 390	100%	102%				
Employee costs	66 760 144	3 115 376	69 875 520			69 875 520	70 715 687		(840 167)	101%	106%	-	-	-	-
Remuneration of councillors	8 276 502	129 830	8 406 332			8 406 332	8 264 176		142 156	98%	100%	-	-	-	-
Debt impairment	10 084 396	-	10 084 396			10 084 396	16 446 818		(6 362 422)	163%	163%	-	-	-	-
Depreciation & asset impairment	8 802 762	-	8 802 762			8 802 762	11 372 717		(2 569 955)	129%	129%	-	-	-	-
Finance charges	1 105 577	1 000 000	2 105 577			2 105 577	887 541		1 218 036	42%	80%	-	-	-	-
Materials and bulk purchases	38 819 084	-	38 819 084			38 819 084	30 889 541		7 929 543	80%	80%	-	-	-	-
Transfers and grants	4 947 964	-	4 947 964			4 947 964	1 657 010		3 290 954	33%	33%	-	-	-	-
Other expenditure	57 952 727	8 072 052	66 024 779			66 024 779	68 914 801		(2 890 022)	104%	119%	-	-	-	-
Total Expenditure	196 749 156	12 317 258	209 066 414			209 066 414	209 148 291		(81 877)	100%	106%	-	-	-	-
Surplus/(Deficit)															
Transfers recognised - capital	67 408 000	18 587 735	85 995 735			85 995 735	59 908 306		26 087 429	70%	89%	-	-	-	-
Contributions recognised - capital & contributed assets	-	-	-			-	-		-	0%	0%	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	125 198 212	12 237 125	137 435 337			137 435 337	110 809 641		26 625 696	81%	89%	-	-	-	-
Share of surplus/ (deficit) of associate	-	-	-			-	-		-	-	-	-	-	-	-
Surplus/(Deficit) for the year	125 198 212	12 237 125	137 435 337			137 435 337	110 809 641		26 625 696	81%	89%	-	-	-	-

Capital expenditure & funds sources										
Capital expenditure	67 408 000	18 587 735	85 995 735			85 995 735	59 908 306	26 087 429	70%	89%
Transfers recognised - capital	50 640 000	17 834 552	68 474 552			68 474 552	56 309 353	12 165 199	82%	111%
Public contributions & donations			-			-	-	-	0%	0%
Borrowing	10 800 000	4 200 000	15 000 000			15 000 000	1 377 886	13 622 114	9%	13%
Internally generated funds	5 968 000	(3 446 817)	2 521 183			2 521 183	2 221 067	300 116	88%	37%
Total sources of capital funds	67 408 000	18 587 735	85 995 735	-	-	85 995 735	59 908 306	26 087 429	70%	89%
Cash flows										
Net cash from (used) operating	83 599 720	(17 264 150)	66 335 570	-	-	66 335 570	59 498 719	6 836 851	90%	71%
Net cash from (used) investing	(74 658 000)	(2 673 183)	(77 331 183)	-	-	(77 331 183)	(59 908 306)	(17 422 877)	77%	80%
Net cash from (used) financing	(420 307)	11 420 361	11 000 054	-	-	11 000 054	(7 760 749)	18 760 803	-71%	1846%
Net increase/(decrease) in cash and cash equivalents	8 521 413	(8 516 972)	4 441	-	-	4 441	(8 170 336)	8 174 777	-183975%	-96%
Cash/cash equivalents at the beginning of year	10 564 095	(789 896)	9 774 199	-	-	9 774 199	9 774 199	-	100%	93%
Cash/cash equivalents at the year end	19 085 508	(9 306 868)	9 778 640	-	-	9 778 640	1 603 863	8 174 777	16%	8%

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

1 Accounting Policies

1.1 Basis of Accounting

Basis of presentation

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

Going concern assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgments and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Post-retirement benefits

The entity provides post-employment benefits for its officials. These benefits are provided as defined contribution plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

The municipality determines the appropriate discount rate at the end of each year using the actuarial valuation. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the medical obligations. In determining the appropriate discount rate, the Municipality considers the interest rates that are best approximated by reference to market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related medical liability.

Retirement funds

The municipality contributes towards retirement benefits of its employees to the under-mentioned pension funds:

- Natal Joint Municipal Pension Fund
 - Government Employees Pension Fund
 - Municipal Gratuity Fund
 - SALA Pension Fund
- Councillors do not contribute to any pension fund.

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

Post employment medical care benefits

The municipality provide post-retirement medical care benefits by subsidising the medical aid contributions to retired employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. the expected cost, of these benefits is accrued over the period of employment. Post employment medical care benefits are accounted for in accordance with GRAP 25.

Provision for impairment of trade receivables

The provision for impairment is measured as the difference between the carrying amount of the assets and the present value of estimated future cash flow based on past recovery trends discounted at the effective interest rate computed at initial recognition.

Impairment of non-financial assets

Recognition

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount).

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

Measurement

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash generating unit.

Cash generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated municipality, it generates a commercial return.

An asset is part of a cash generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In determining the recoverable amount (or recoverable service amount) of an asset the entity evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

For cash generating assets the value in use is determined as a function of the discounted future cash flows from the asset. In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Non-cash generating assets are assets other than cash-generating assets.

Where the asset is a non-cash generating asset the recoverable amount is determined as the higher of the value in use and fair value less cost to sell.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

Reversal of impairment

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Impairment of non-financial assets

Property, plant and equipment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Intangible assets

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Irrespective of whether there is any indication of impairment, the municipality also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

Investment property held at cost

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

Heritage assets

Where the carrying amount of an item of heritage asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of heritage asset have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Provisions

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

A restructuring provision includes only the direct expenditure arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation of the amount or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised.

Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent assets are not recognised.

Comparative

Budget information in accordance with GRAP 1 and 24, has been provided in an appendix D & E to these financial statements and forms part of the Pre- audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 20 - Related Party Disclosures

Compliance with this standard would have had an effect of the presentation only. Related party transactions have been disclosed in accordance with IPSAS 20.

The effective date of the standard is for years beginning on or after 1 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements, but has not yet formulated an accounting policy for this reporting period based on the standard.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

GRAP 32 - Service Concession Arrangements

The objective of this Standard is to prescribe accounting requirements for service concession arrangements by the grantor, the public service entity.

The effective date of the standard is for years beginning on or after 1 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements, but has not yet formulated an accounting policy for this reporting period based on the standard.

GRAP 108 - Statutory Receivables

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

The effective date of the standard is for years beginning on or after 1 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements, but has not yet formulated an accounting policy for this reporting period based on the standard.

GRAP 109 - Accounting by Principal and Agents

The objective of this Standard is to outline principles to be used by to be used by an entity to assess whether it is a party to the principal-agent arrangement, or whether is a principal or an agent in undertaking transactions in terms of such an arrangement.

The effective date of the standard is for years beginning on or after 1 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements, but has not yet formulated an accounting policy for this reporting period based on the standard.

IGRAP 17 - Service Concession Arrangements where a grantor controls a significant residual interest in an asset.

The standard requires the grantor to recognise a service concession asset provided by the operator and an upgrade to an existing asset of the grantor if:

- the grantor controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and
- the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the asset at the end of the term of the arrangement.

If one or both of these criteria are not met the grantor needs to determine whether the arrangement constitutes a lease. If the arrangement does not constitute a finance lease or operating lease the grantor shall consider the principles for the presentation of financial information relating to accounting for revenue and expenses incurred in terms of the arrangement.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

1,3 Property, Plant and Equipment

Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Assets under construction are recognised as the assets are being constructed. Work in progress is stated at cost and is not depreciated. Upon completion of the construction the assets, other than electricity assets which are transferred to Eskom, are transferred to property, plant and equipment. Depreciation of constructed assets commences when the assets are ready for their intended use.

Initial measurement

Items of property, plant and equipment are initially measured at cost at the acquisition date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Subsequent expenditure

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciable amount is determined after taking into account an assets' residual value, where applicable. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Details	Years
Infrastructure	
Roads and Paving	20 years
Electricity	20-30 years
Courseway bridges	5 years
Community	
Buildings	30 years
Halls	30 years
Libraries	30 years
Heritage assets	
Paintings and artifacts	0 years
Finance lease assets	
Machinery and equipment	5 years
Motor vehicles	5 years
Other	
Land	Indefinite
Buildings	30 years
Specialised vehicles	5 years
Other vehicles	5 years
Office equipment	1-5 years
Furniture and fittings	1-5 years
Computer equipment	3 years
Plant and equipment	5 years
Landfill sites	0 years

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Impairment

Refer to accounting policy number 1.2

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1,4 Heritage assets

Initial recognition

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
- (b) the cost or fair value of the asset can be measured reliably.

Initial measurement

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Where a heritage asset has been acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Subsequent measurement

Heritage assets are not depreciated based on their nature however the municipality assesses at each reporting date whether there is a need for impairment.

The class of heritage assets are carried at its cost less any accumulated impairment losses.

Impairment

Refer to accounting policy number

1,2

Derecognition

The carrying amount of a heritage asset is derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1,5 Intangible assets

Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

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Summary of Significant Accounting Policies for the year ending 30 June 2017

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential;
- the municipality has the ability to measure reliably the expenditure during development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Subsequent measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in Statement of Financial Performance in the expense category consistent with the function of the intangible asset. During the period of development, the asset is tested for impairment annually.

Amortisation

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	3 years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Impairment

Refer to accounting policy number	1,2
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Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

1,6 Investment property

Initial recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Subsequent measurement

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. The assumptions for determining the fair value of the Investment property is set out in note 10 of the Financial Statements.

Derecognition

Investment property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property.

All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

1,7 Financial instruments

Initial recognition

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as a financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

Initial measurement

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

Investment at amortised costs

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Investment at fair value

Investments, which represent investments in residual interest for which fair value can be measured reliably, are subsequently measured at fair value.

Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.

Investment at cost

Investments at cost, which represent investments in residual interest for which there is no quoted market price and for which fair value cannot be measured reliably, are subsequently measured at cost.

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Trade payables and borrowings

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1,8 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1,9 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1,10 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1,11 Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating ;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1,12 Budget information

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same entity and period as for the approved budget. The budget of the municipality is taken for a stakeholder consultative process and upon approval the approved budget is made publicly available.

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts.

1,13 Leases

Operating lease - Municipality as lessee

Recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

Measurement

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

Derecognition

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

Operating lease - Municipality as lessor

Recognition

For those leases that meet the definition of a finance lease, where the entity is the lessor, the entity derecognises the asset subject to the lease at the inception of the lease. Along with the derecognition of the asset the entity recognises a finance lease receivable. Finance lease income is allocated to between the finance lease receivable and finance income using the effective interest rate method and the resulting finance income is recognised in the Statement of Financial Performance as it accrues.

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, in the period that the income accrues.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

Measurement

Finance lease receivables are recognised at an amount equal to the entity's net investment in the lease. This net investment in the lease is calculated as the sum of the minimum future lease payments and unguaranteed residual value discounted over the lease term at the rate implicit in the lease.

Rental Income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

Derecognition

Finance lease receivables are derecognised when the entity's right to the underlying cash flows expire or when the entity no longer expects economic benefits to flow from the finance lease receivable.

Operating lease liabilities are derecognised when the entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the entity's right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

1,14 Revenue

Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Measurement

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Measurement

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services. The income is recognised in terms of the agency agreement.

Expenditure from exchange transactions

Expenditure arising from exchange-transactions is similar to the policy for exchange revenue.

Revenue from non-exchange transactions

Recognition

Revenue from non-exchange transaction arises when the entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is due to the Municipality, it is recognised as interest earned in the Statements of Financial Performance.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Expenditure from non-exchange transactions

Expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue.

1,16 Borrowing costs

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred on assets are recognised as an expense in the statement of financial performance when incurred.

1,17 Long service awards

Provision for long service awards represents the present value of the estimated future cash outflows to be made by the Municipality resulting from employee services provided up to Statement of Financial Position date. The provision comprises amounts that the Municipality has a present obligation to pay resulting from employee services provided up to Statement of Financial Position date.

1,18 Retirement benefits

Short-term employee benefits

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

1,19 Budget information

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives. The approved budget covers the fiscal period from 1 July 2016 to 30 June 2017.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of budget and actual amounts.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

1,20 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1,21 Commitments

The municipality may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods, e.g. A contract for construction of infrastructure assets. In these events, the municipality has a commitment to future transactions that will normally result in the outflow of cash.

Commitments are not recognised in the Statement of Financial Position as a liability, but are disclosed in the annual financial statements provided:

- they are non-cancellable or only cancellable at significant cost; and
- they relate to something other than the routine, steady, state business of the municipality.

1,22 Landfill restoration

The municipality has an obligation to rehabilitate the landfill site at the end of the usage period of 18 years. It is expected that the cost to rehabilitate the landfill site will amount to R14,384 million at the end of 6 years. The landfill site rehabilitation provision is created for the rehabilitation of the current operational site at the future estimated time of closure. The value of the provision is based on the expected future cost to rehabilitate the site discounted back to the reporting date at the cost of capital, which is 6.4%. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful life and makes assumptions as to the useful life of the assets, which influence the provision for future costs.

1,23 Value added tax

The Value-Added Tax is accounted for on an accrual basis in the financial statements. However, the municipality accounts for Value Added Tax to the South African Revenue on the payment basis.

1,24 Taxation

The uPhongolo Local Municipality is exempted from tax in terms of Section 10(1)cB(i)(ff) of the Income Tax Act.

1,25 Events after reporting date

Recognised amounts in the financial statements are adjusted to reflect events arising after the reporting date that provided evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the reporting date are dealt with by way of a note to the annual financial statements.

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	2017 R	2016 R
2 Cash and cash equivalents		
Cash and cash equivalents consist of the following:		
Cash on hand	1 615	2 544
Cash at bank	896 427	941 174
Call deposits	705 820	8 830 481
Closing balance cash and cash equivalents	1 603 862	9 774 199

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

First National Bank Limited - uPhongolo Branch: Account No. 62027530858	896 427	941 174
Cash book balance at end of year	896 427	941 174
Bank statement balance at end of year	896 427	941 174

Call Accounts

First National Bank Limited - uPhongolo Branch: Account No. 62375357186	-	3 934
First National Bank Limited - uPhongolo Branch: Account No. 62375342377	4	15 048
First National Bank Limited - uPhongolo Branch: Account No. 62377992104	5	6 553
First National Bank Limited - uPhongolo Branch: Account No. 62380902017	3 371	19 675
First National Bank Limited - uPhongolo Branch: Account No. 62389553085	5	297 130
First National Bank Limited - uPhongolo Branch: Account No. 62389564024	9	939 336
First National Bank Limited - uPhongolo Branch: Account No. 62389585286	9	1 715 108
First National Bank Limited - uPhongolo Branch: Account No. 62389586507	7 458	299 940
Standard Bank Limited - Newcastle Branch: Account No. 068686234-003	1 348	1 348
First National Bank Limited - uPhongolo Branch: Account No. 62404561377	219	12 497
First National Bank Limited - uPhongolo Branch: Account No. 62404287345	80	19 354
First National Bank Limited - uPhongolo Branch: Account No. 62417482289	-	1 233
First National Bank Limited - uPhongolo Branch: Account No. 62417484235	-	1 615
First National Bank Limited - uPhongolo Branch: Account No. 62417486190	-	15 609
First National Bank Limited - uPhongolo Branch: Account No. 62658357001	167 891	-
First National Bank Limited - uPhongolo Branch: Account No. 62305239718	490 490	329 929
First National Bank Limited - uPhongolo Branch: Account No. 74275780911	32 745	25 872
First National Bank Limited - uPhongolo Branch: Account No. 62596797559	394	5 040 268
First National Bank Limited - uPhongolo Branch: Account No. 62253771896	298	19 567
First National Bank Limited - uPhongolo Branch: Account No. 62230436405	1 494	66 465
Cash book balance at end of year	705 820	8 830 481

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	2017 R	2016 R
Cash and Cash Equivalents		
Bank statement balance at beginning of year	8 830 481	8 403 058
Bank statement balance at end of year	705 820	8 830 481
Cash on hand		
Cash balances	1 615	2 544
Total cash and cash equivalents	1 603 862	9 774 199

Call investments amounting to R705 820 (2016: R8 830 481) have been ring-fenced for the purposes of defraying capital expenditure financed with conditional grants as set out in Note 16.

3 Non-current Receivables

KZN Department of Human Settlement (Housing Scheme)	3 262 978	3 262 978
Receivables in respect of properties sold	235 879	347 966
	3 498 857	3 610 944
Less: Provision for impairment	(3 498 857)	(3 610 944)
Total	-	-

The Municipality bridge-financed the Ncotshane Housing Project in 2006 with an amount of R3,2 million after the KZN Department of Human Settlement had withheld funding due to expenditure not commensurate with the work executed. As some structures were incomplete, the Council resolved to complete the project in order to avoid wasteful expenditure. Negotiations with the Department of Human Settlement have commenced to recover the debt, however, it has been considered prudent to impair the debt as the recovery thereof is not assured beyond reasonable doubt.

Properties were sold to certain residents of Ncotshane Township prior to 1994, however, according to the Deeds Office the properties are not registered in the names of the buyers. Further delays are due to the fact that some of the properties are occupied by families who are not the rightful owners or the rightful owners are deceased and the beneficiaries are unknown.

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

4	Trade and other receivables for exchange transactions	Gross Balances	Provision for Doubtful Debts	Net Balance
		R	R	R
	Trade receivables as at 30 June 2017			
	Service debtors			
	Electricity	8 058 803	(1 825 088)	6 233 715
	Refuse	71 391 958	(70 525 913)	866 045
	Total	79 450 761	(72 351 001)	7 099 760
	Other receivables	2 022 403	(1 710 716)	311 687
	Other receivables	2 022 403	(1 710 716)	311 687
	Total Trade and other receivables	81 473 164	(74 061 717)	7 411 447
	Trade receivables as at 30 June 2016			
	Service debtors			
	Electricity	6 581 314	(1 406 727)	5 174 587
	Refuse	59 927 498	(57 234 131)	2 693 367
	Total	66 508 812	(58 640 858)	7 867 954
	Other trade receivables	1 943 312	(1 401 431)	541 881
	Other receivables	1 943 312	(1 401 431)	541 881
	Total Trade and other receivables	68 452 124	(60 042 289)	8 409 835
		2017		2016
		R		R
	Electricity: Ageing			
	Current (0 – 30 days)	4 495 008		3 160 529
	31 - 60 Days	1 315 574		1 332 214
	61 - 90 Days	288 435		605 501
	91 - 120 Days	172 207		122 563
	121 - 365 Days	695 495		469 970
	+ 365 Days	1 092 084		890 537
	Total	8 058 803		6 581 314
	Refuse: Ageing			
	Current (0 – 30 days)	2 563 630		614 807
	31 - 60 Days	723 594		720 302
	61 - 90 Days	654 414		630 460
	91 - 120 Days	641 917		615 331
	121 - 365 Days	5 446 788		5 034 782
	+ 365 Days	61 361 615		52 311 816
	Total	71 391 958		59 927 498

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

4

Trade and other receivables for exchange transactions (Continues)				2017	2016
				R	R
<u>Rental: Ageing</u>					
Current (0 – 30 days)				53 884	56 046
31 - 60 Days				26 288	23 836
61 - 90 Days				34 618	23 437
91 - 120 Days				12 802	21 470
121 - 365 Days				148 275	212 155
+ 365 Days				710 026	655 657
Total				985 893	992 601
<u>Other: Ageing</u>					
Current (0 – 30 days)				750 323	23 077
31 - 60 Days				2 805	9 001
61 - 90 Days				996	744 253
91 - 120 Days				905	764
121 - 365 Days				16 620	640
+ 365 Days				264 861	172 976
Total				1 036 510	950 711
<u>Summary of Debtors by Customer Classification</u>					
	Consumers	Industrial / Commercial	National and Provincial Government	Other	Total
	R	R	R	R	R
as at 30 June 2017					
Current (0 – 30 days)	1 733 104	3 144 875	916 149	594 259	6 388 387
31 - 60 Days	1 358 926	1 271 924	1 888 670	396 871	4 916 391
61 - 90 Days	1 047 671	281 535	629 758	321 068	2 280 032
91 - 120 Days	998 911	175 384	594 821	310 718	2 079 834
121 - 365 Days	7 556 060	1 255 622	3 086 900	2 002 525	13 901 107
+ 365 Days	90 103 012	3 792 529	13 362 273	11 311 375	118 569 189
Sub-total	102 797 684	9 921 869	20 478 571	14 936 816	148 134 940
Less: Provision for doubtful debts	(69 716 794)	(2 634 207)	-	(1 710 716)	(74 061 717)
Total debtors by customer classification	33 080 890	7 287 662	20 478 571	13 226 100	74 073 223
as at 30 June 2016					
Current (0 – 30 days)	1 992 942	2 883 293	873 491	621 565	6 371 291
31 - 60 Days	1 277 945	1 360 930	500 779	378 158	3 517 812
61 - 90 Days	1 235 638	1 598 892	586 188	337 859	3 758 577
91 - 120 Days	972 457	142 387	304 896	316 574	1 736 314
121 - 365 Days	6 945 401	878 147	1 955 813	2 036 169	11 815 530
+ 365 Days	75 115 776	3 130 063	6 567 859	10 230 291	95 043 989
Sub-total	87 540 159	9 993 712	10 789 026	13 920 616	122 243 513
Less: Provision for doubtful debts	(54 657 187)	(1 521 290)	-	(3 863 812)	(60 042 289)
Total debtors by customer classification	32 882 972	8 472 422	10 789 026	10 056 804	62 201 224

uPhongolo Local Municipality

Notes to the Annual Financial Statements

for the year ended 30 June 2017

	2017	2016
4 Trade and other receivables for exchange transactions (Continues)	R	R
<u>Reconciliation of the doubtful debt provision</u>		
Balance at beginning of the year	60 042 289	50 521 750
Change in estimate	-	-
Contributions to provision	14 019 428	9 520 539
Balance at end of year	74 061 717	60 042 289

Trade and other receivables impaired

As of 30 June 2017, trade and other receivables of R74 061 717 (2016: R60 042 289) were impaired and provided for. The amount of the provision was R74 061 717 (2016: R60 042 289)

The fair value of trade and other receivables approximates their carrying amounts.

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit. For the year under review no amounts were written off as uncollectible. The amounts are generally written off when there is no reasonable expectation of recovery.

5 Trade and other receivables for non-exchange transactions

Trade receivables - Property Rates	66 182 237	53 228 148
Outstanding deposit	277 265	307 305
Traffic fines	202 274	255 936
Total	66 661 776	53 791 389

Trade receivables - Property Rates

	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
as at 30 June 2017			
Property Rates	66 182 237	-	66 182 237
	66 182 237	-	66 182 237

	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
as at 30 June 2016			
Property Rates	53 228 148	-	53 228 148
	53 228 148	-	53 228 148

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

		2017	2016
		R	R
5 Trade and other receivables for non-exchange transactions			
	<u>Property Rates: Ageing</u>		
	Current (0 – 30 days)	2 532 402	1 656 077
	31 - 60 Days	2 848 129	1 419 699
	61 - 90 Days	1 301 569	1 091 060
	91 - 120 Days	1 252 003	976 186
	121 - 365 Days	7 592 402	6 076 675
	+ 365 Days	50 655 732	42 008 451
	Total	66 182 237	53 228 148

Property rates are not considered in the computation of debt impairment since they are collectable in terms of the Property Rates Act and the relevant property serves as security for non-payment

6 Prepayments

Prepaid subscriptions - SALGA	-	-
Deposit for computers purchased	-	30 126
Microsoft licences	-	491 131
Fuel deposit	-	12 800
Other	49 261	11 299
	49 260	545 356

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

7 Property, plant and equipment Reconciliation of Carrying Value - 2017

	Land	Buildings	Infrastructure	Buildings- AUC	Electricity- AUC	Roads- AUC	Other Assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2016	65 541 478	19 022 555	73 332 772	28 397 986	47 112 672	53 142 880	19 159 719	305 710 062
Cost	65 541 478	27 699 663	96 769 793	28 397 986	47 112 672	53 142 880	24 104 810	342 769 282
Accumulated depreciation and impairment losses	-	(8 677 108)	(23 437 021)	-	-	-	(4 945 091)	(37 059 220)
Reclassification:	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Acquisitions	-	-	250 000	-	-	-	1 971 067	2 221 067
Work in progress acquisitions	-	-	-	9 486 152	18 037 369	30 163 718	-	57 687 239
Capital under construction released	-	7 552 351	38 305 365	(7 590 554)	-	(38 305 365)	38 203	-
Depreciation	-	(1 184 475)	(5 242 171)	-	-	-	(2 675 654)	(9 102 300)
Impairment loss/Reversal of impairment loss	-	(51 600)	(2 087 422)	-	-	-	(43 900)	(2 182 922)
Carrying value of disposals	-	-	(23 539)	-	-	-	(253 169)	(276 708)
Cost	-	-	(29 500)	-	-	-	(798 840)	(828 340)
Accumulated depreciation and impairment losses	-	-	5 961	-	-	-	545 671	551 632
as at 30 June 2017	65 541 478	25 338 831	104 535 005	30 293 584	65 150 041	45 001 233	18 196 266	354 056 438
Cost	65 541 478	35 252 014	135 295 658	30 293 584	65 150 041	45 001 233	25 315 240	401 849 248
Accumulated depreciation and impairment losses	-	(9 913 183)	(30 760 653)	-	-	-	(7 118 974)	(47 792 810)

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

7 (Restated) Property, plant and equipment

- Reconciliation of Carrying Value - 2016

	Land	Buildings	Infrastructure	Buildings-AUC	Electricity-AUC	Roads-AUC	Other Assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2015	65 541 478	14 730 212	75 722 498	12 456 125	29 570 748	41 200 300	10 286 474	249 507 835
Cost	65 541 478	22 419 881	94 662 990	12 456 125	29 570 748	41 200 300	17 075 323	282 926 845
Accumulated depreciation and impairment losses	-	(7 689 669)	(18 940 492)	-	-	-	(6 788 849)	(33 419 010)
Reclassification:	-	(304 976)	976 156	-	-	(671 196)	16	-
Cost	-	(304 976)	976 164			(671 196)	8	-
Accumulated depreciation and impairment losses	-	-	(8)	-	-	-	8	-
Acquisitions	-	166 802	1 130 639	15 941 861	17 541 924	18 049 136	7 109 131	59 939 493
Capital under construction released	-	5 417 956	-	-	-	(5 435 360)	17 404	-
Depreciation	-	(951 170)	(4 489 728)	-	-	-	(2 185 747)	(7 626 645)
Impairment loss/Reversal of impairment loss	-	(36 269)	(6 793)	-	-	-	-	(43 062)
Decommissioning assets (Landfill site)							3 965 209	3 965 209
Carrying value of disposals	-	-	-	-	-	-	(32 768)	(32 768)
Cost	-	-	-	-	-	-	(97 056)	(97 056)
Accumulated depreciation and impairment losses	-	-	-	-	-	-	64 288	64 288
as at 30 June 2016	65 541 478	19 022 555	73 332 772	28 397 986	47 112 672	53 142 880	19 159 719	305 710 062
Cost	65 541 478	27 699 663	96 769 793	28 397 986	47 112 672	53 142 880	24 104 810	342 769 282
Accumulated depreciation and impairment losses	-	(8 677 108)	(23 437 021)	-	-	-	(4 945 091)	(37 059 220)

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

7 Property, plant and equipment (Continued)

Summary of Property, plant and equipment:

	2017			2016		
	Cost	Accumulated depreciation and impairment losses	Carrying Value	Cost	Accumulated depreciation and impairment losses	Carrying Value
Land	65 541 478	-	65 541 478	65 541 478	-	65 541 478
Buildings	65 545 598	(9 913 183)	55 632 415	56 097 649	(8 677 108)	47 420 541
Infrastructure	245 446 932	(30 760 653)	214 686 279	197 025 345	(23 437 021)	173 588 324
Other Assets	25 315 240	(7 118 974)	18 196 266	24 104 810	(4 945 092)	19 159 718
Total	401 849 248	(47 792 810)	354 056 438	342 769 282	(37 059 221)	305 710 061

Property, plant and equipment pledged as security

Plant and Machinery

Certain plant and machinery with a carrying amount of R14 231 057 are pledged as security for the finance lease amounting to R5 105 560 as disclosed in note 18.

7,1 Change in accounting estimate

A review of useful economic lives of infrastructure was performed during the year and management decided that due to the good maintenance and service records, the useful life be re-assessed.

This resulted in a decrease charge of R38 053 for the year, which is expected to recur over the remaining life of the assets.

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

8 Intangible assets

Reconciliation of carrying value- 2017

as at 1 July 2016

Cost	
Accumulated amortisation and impairment losses	
Additions	
Amortisation	

Computer Software	Total
R	R
349 507	349 507
625 367	625 367
(275 860)	(275 860)
-	-
(87 494)	(87 494)

as at 30 June 2017

Cost	
Accumulated amortisation and impairment losses	

262 013	262 013
625 367	625 367
(363 354)	(363 354)

Reconciliation of carrying value- 2016

as at 1 July 2015

Cost	
Accumulated amortisation and impairment losses	
Additions	
Amortisation	

Computer Software	Total
R	R
54 178	54 178
277 783	277 783
(223 605)	(223 605)
347 584	347 584
(52 255)	(52 255)

Carrying value at 30 June 2016

Cost	
Accumulated amortisation and impairment losses	

349 507	349 507
625 367	625 367
(275 860)	(275 860)

9 Investment property carried at fair value

Reconciliation of Carrying Value - 2017

as at 1 July 2016

Fair value	66 065 000
Change in fair value	13 565 000
Carrying value of disposals	
Fair value	-

Carrying value at 30 June 2017

Fair value	79 630 000
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uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

9 Investment property carried at fair value (Continue)	R
Reconciliation of Carrying Value - 2016	
as at 1 July 2015	
Fair value	58 795 000
Change in fair value	7 270 000
Carrying value of disposals	
Fair value	-
Carrying value at 30 June 2016	
Fair value	66 065 000

Investment property comprises a number of vacant land and commercial properties that are leased to third parties. Each of these leases contain an option of renewal by lessee. No contingent rent is charged.

Method of valuation

Three methods of valuation were used in the assessment of fair value:

- Market Approach - This approach also referred to as the Comparison Approach was applied in the valuation of vacant erven; agricultural property and residential dwellings. This method uses prices and other relevant information generated by market transactions involving identical or comparable properties.

- Cost Approach - This method has been applied in the valuation of specialized, non-market property. This approach applies the basic economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction.

- Income Approach - This approach also referred to as the Investment Approach has been applied in the valuation of business premises on Erf 214 Ncotshane A. It has also been used with the Market Approach in the valuation of Portion 5 of the Farm Simdlangetsha No. 16956.

uPhongolo Local Municipality

Notes to the Annual Financial Statements
as at 30 June 2017

10 Heritage assets

Reconciliation of carrying value- 2017	Paintings and Artefacts R	Total R
as at 1 July 2016	70 945	70 945
Cost	70 945	70 945
Accumulated impairment losses	-	-
Acquisitions	-	-
Carrying value of disposals	-	-
Cost	-	-
Accumulated impairment losses	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
Under Construction	-	-
Other movements	-	-
as at 30 June 2017	70 945	70 945
Cost	70 945	70 945
Accumulated impairment losses	-	-

Reconciliation of carrying value- 2016	Paintings and Artefacts R	Total R
as at 1 July 2015	70 945	70 945
Cost	70 945	70 945
Accumulated impairment losses	-	-
Acquisitions	-	-
Carrying value of disposals	-	-
Cost	-	-
Accumulated impairment losses	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
Under Construction	-	-
Other movements	-	-
as at 30 June 2016	70 945	70 945
Cost	70 945	70 945
Accumulated impairment losses	-	-

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017	2016
		R	Restated R
11 Trade and other payables from exchange transactions			
Trade creditors		19 329 422	18 996 328
Retentions		5 295 466	3 960 391
Staff leave accrual		6 113 517	5 370 188
Payroll deductions		2 606 721	2 407 854
Accrued bonus		1 833 630	1 581 506
Deposits - other		657 907	645 459
Workmens compensation assurance		399 076	-
Total		36 235 739	32 961 726

The fair value of trade and other payables approximates their carrying amounts.

12 Consumer deposits

Electricity	2 507 818	1 724 477
Total consumer deposits	2 507 818	1 724 477

No interest is paid on deposits and no guarantees are held in lieu of electricity deposits.

13 Vat Refundable

VAT refundable	11 017 848	10 361 908
Provision for vat refundable	(3 809 327)	-
Total VAT refundable	7 208 521	10 361 908

The Value-Added Tax is accounted for on an accrual basis in the financial statements. However, the municipality accounts for Value Added Tax to the South African Revenue on the payment basis. The refund amounting to R3 809 327 for vat was withheld by SARS in 2016/17.

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

	Note	2017 R	2016 Restated R
14 Provisions			
Current provisions			
Current portion of bonus provision		344 042	356 680
Provision for VAT and PAYE liability		5 664 139	5 539 516
Total		6 008 181	5 896 196

The provision is to provide for performance bonuses of the section 56 employees. Performance bonuses are paid one year in arrears as the assessment of eligible employees had not taken place at the reporting date and no present obligation exist.

Sars issued a notice of assessment in respect of the underpayment of VAT and Paye for the period 2008 to 2012 based on the results of its audit finding. The amount of the alleged liability was R6 297 860. The municipality appealed against the finding. During the 2015/16 financial year, Sars conceded that the additional VAT assessment was wrong and was reversed. The objection against the additional PAYE assessment is still pending.

Non-current provisions

Provision for rehabilitation of landfill sites	8 980 381	8 179 073
Provision for long-service awards	959 449	735 074
Total Non-Current Provisions	9 939 830	8 914 147

Long service benefits

Employees who achieve 20 years service are either granted 20 days paid leave (once off) or encashment of leave depending on their preference.

Employees who achieve 30 years service are either granted 30 days paid leave (once off) or encashment of leave depending on their preference.

Employees who achieve 35 years service are either granted 50 days paid leave (once off) or encashment of leave depending on their preference.

The abovementioned leave is granted in addition to the annual leave entitlement and maximum accumulation granted in terms of the National Conditions Service, and may be taken, converted to cash in full or partially or accumulated. The abovementioned leave is only applicable to those employees who achieve the stated years of service after the effective date of these conditions.

The provision is an estimate of the long service award based on the monthly salaries rate at 30 June 2017 (2016: 30 June 2016). It has been assumed that the staff turnover rate will be insignificant based on historical data. The provision has not been discounted based on the fact that the interest cost would be insignificant and the fair presentation of the provision would not be materially affected.

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

	Note	2017 R	2016 Restated R
14 Provisions (Continue)			
Landfill site			
<p>The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate landfill sites used for waste disposal at the future estimated time of closure. The value of the provision is based on the expected future costs to rehabilitate the site discounted back to the reporting date at the annual inflation rate, which was currently 6.4%. The municipality has an obligation to rehabilitate the landfill site. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which the municipality incurs as a result of having used the property during a particular period for landfill purposes.</p> <p><i>Rehabilitation costs were calculated based on the following assumptions:</i></p> <ul style="list-style-type: none"> - an annual inflation rate of 6.4% - discount rate of 6.4% - the landfill site comprises 5 hectares. The area expected to be rehabilitated: 3 hectares - the estimated closure date of the landfill site is 2033/34. <p>The movement in the non-current provision is reconciled as follows: -</p> <p>Provision for rehabilitation of landfill sites:</p>			
Balance at the beginning of year		8 179 073	3 764 860
Contributions to provision		801 308	4 414 213
Balance at the end of year		8 980 381	8 179 073
Provision for long-service awards:			
Balance at the beginning of year		735 074	578 651
Contributions to provision		224 375	156 423
Balance at the end of year		959 449	735 074
Total non-current provisions		9 939 830	8 914 147
15 Unspent conditional grants and receipts			
16.1 Expanded Public Works Programme Grant (EPWP)		-	-
16.2 Financial Management Grant (FMG)		-	-
16.3 Municipal Systems Improvement Grant (MSIG)		-	-
16.4 Municipal Infrastructure Grant (MIG)		-	-
16.5 Integrated national electrification programme Grant (INEP)		1 494	-
16.6 Mass Electrification Programme		-	3 043 642

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 Restated R
15 Unspent conditional grants and receipts (Continued)			
16.7 Small Town Improvement Grant		7 458	428 222
16.8 Imbube Cultural Village Grant		-	2 232 062
16.9 Sub-rank Facility Grant		3 417	463 792
16.10 Flea Market Grant		-	-
16.11 Sports Facility Grant		167 000	-
16.12 Sports Facility Maintenance Grant		-	-
16.13 Provincialisation of Libraries Grant		-	-
16.14 Community Library Services Grant		-	-
16.15 ZDM Tourism Grant		-	-
16.16 Thusong Centre Grant		-	-
16.17 Pound Grant		1 000 000	490 490
16.18 Planning and Development Grant		47 621	47 621
16.19 Administration Capacity Building Grant		205 686	205 686
16.20 Synergistic Partnership Grant		123 104	123 104
16.21 Strategic Support Grant		93 848	93 848
16.22 Integrated Electrification Reds Grant		98 000	98 000
16.23 Housing Community Gardens Grant		72 864	72 864
16.24 Tourism Candover Grant		290 862	290 862
16.25 Municipal Development Planning and Capacity Building Grant		100 000	100 000
Total Unspent Conditional Grants and Receipts		2 211 354	7 690 193

Conditional grants funds (16.1 - 16.17) are invested in ring-fenced investments until utilised. Some of these grants were not cash-backed at year end. Conditional grants (16.18 - 16.25) were received prior to 2006 and are not cash-backed. The municipality has contacted Cogta and Provincial Treasury for a directive on how to treat these grants.

Expanded Public Works Programme Grant (EPWP)

Balance unspent at beginning of year

	-	-
Current year receipts	3 021 000	4 449 000
Conditions met - transferred to revenue	(3 021 000)	(4 449 000)

Conditions still to be met - remain liabilities

	-	-
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The Expanded Public Works Programme is a special performance-based incentive provided to municipalities that contribute to the employment creation efforts of the expanded public works programme through the employment of previously unemployed people. The condition of the grant was met and no funds have been withheld.

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

	Note	2017	2016
		R	Restated R

Financial Management Grant (FMG)

Balance unspent at beginning of year

Current year receipts	1 825 000	1 800 000
Conditions met - transferred to revenue	(1 825 000)	(1 800 000)

Conditions still to be met - remain liabilities

-

The purpose of this grant is to promote and support reforms in financial management by building capacity to implement the Municipal Finance Management Act (MFMA). The conditions of the grant were met and no funds have been withheld.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year

Current year receipts	42 136 000	27 852 000
Adjustments and transfers	(492 761)	(2 471 329)
Conditions met - transferred to revenue	(41 643 239)	(30 124 960)

Conditions still to be met - remain liabilities

-

This grant is used to construct basic municipal infrastructure to provide basic services for the benefit of poor households. Other than the unspent amount, the conditions of the grant were met. National Treasury disallowed the rollover of unspent funds amounting to R492 761 (2016: R2 471 329).

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year

Current year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)

Conditions still to be met - remain liabilities

-

This grant was used to build in-house capacity to perform municipal functions and stabilise institutional and governance systems. The conditions of the grant were met and no funds have been withheld.

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 Restated R
Integrated national electrification programme Grant (INEP)			
Balance unspent at beginning of year		-	(14 549 302)
Current year receipts	18 000 000	18 000 000	12 000 000
Adjustments and transfers		-	14 549 302
Conditions met - transferred to revenue	(17 998 506)	(17 998 506)	(12 000 000)
Conditions still to be met - remain liabilities		1 494	-

The purpose of this grant is to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electricity infrastructure in order to improve quality of supply. In the previous years the council approved the funding of this programmed partially from own resources in order to expedite the eradication of electrification backlog. This amount is not recoverable from the Department of Energy, hence the adjustment processed.

Mass Electrification Programme

Balance unspent at beginning of year	3 043 642	-
Current year receipts	-	10 000 000
Conditions met - transferred to revenue	(3 043 642)	(6 956 358)
Conditions still to be met - remain liabilities	-	3 043 642

The purpose of this grant is to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electricity infrastructure in order to improve quality of supply. COGTA approved the rollover of unspent funds amounting to R4 927 890. The conditions of the grant were met and no funds were withheld.

Small Town Improvement Grant

Balance unspent at beginning of year	428 222	536 990
Current year receipts	-	-
Conditions met - transferred to revenue	(420 764)	(108 768)
Conditions still to be met - remain liabilities	7 458	428 222

The purpose of this grant was to install street lights and high masts in uPhongolo Town. Other than the unspent amount. COGTA approved the rollover of unspent funds amounting to R428 222. The conditions of the grant were met and no funds were withheld.

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 Restated R
Imbube Cultural Village Grant			
Balance unspent at beginning of year		2 232 062	1 063 879
Current year receipts		-	4 500 000
Conditions met - transferred to revenue		(2 232 062)	(3 331 817)
Conditions still to be met - remain liabilities		-	2 232 062

This grant is for the construction of the Imbube Cultural Village to take advantage of the Route 66 as part of investment strategy to boost tourism in uPhongolo. COGTA approved the rollover of unspent funds amounting to R2 633 038. The conditions of the grant were met and no funds were withheld.

Sub-rank Facility Grant

Balance unspent at beginning of year		463 792	1 598 427
Adjustments and transfers		-	-
Current year receipts		-	-
Conditions met - transferred to revenue		(460 385)	(1 134 635)
Conditions still to be met - remain liabilities		3 407	463 792

The purpose of the grant is to construct the sub-rank facility in uPhongolo town. COGTA approved the rollover of unspent funds amounting to R463 792. The conditions of the grant were met and no funds were withheld.

Flea Market Grant

Balance unspent at beginning of year		-	703 750
Current year receipts		-	-
Conditions met - transferred to revenue		-	(703 750)
Conditions still to be met - remain liabilities		-	-

This grant was used for the construction of the flea market. Permission was granted by the MEC for Cooperative Governance and Traditional Affairs to utilise the unspent funds for the purpose of acquiring furniture for the Flea Market. COGTA approved the rollover of unspent funds amounting to R211 611. The conditions of the grant were met and no funds were withheld.

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 Restated R
Sports Facility Grant			
Balance unspent at beginning of year		-	165 863
Current year receipts		334 000	-
Conditions met - transferred to revenue		(167 000)	(165 863)
Conditions still to be met - remain liabilities		167 000	-

The purpose of the grant is to upgrade the sports facility at Ncotshane Township. Other than the unspent amount, the conditions of the grant have been met and no funds have been withheld. Allocation for 2017/18 was transferred at 30 June 2017.

Provincialisation of Libraries Grant

Balance unspent at beginning of year	-	-
Current year receipts	965 000	973 000
Conditions met - transferred to revenue	(965 000)	(973 000)
Conditions still to be met - remain liabilities	-	-

The purpose of this grant is to subsidise operational costs associated with libraries. The conditions of the grant were met and no funds were withheld.

Community Library Services Grant

Balance unspent at beginning of year	-	-
Current year receipts	358 000	340 000
Conditions met - transferred to revenue	(358 000)	(340 000)
Conditions still to be met - remain liabilities	-	-

This grant is used to pay the salary of the library Cyber Cade and subsidise operational costs associated with Libraries. The conditions of the grant were met and no funds were withheld.

Pound Grant

Balance unspent at beginning of year	490 490	490 490
Current year receipts	-	-
Adjustments and transfers	509 510	-
Conditions still to be met - remain liabilities	1 000 000	490 490

This grant was provided in order to construct a pound in the uPhongolo Municipal area. COGTA disallowed the rollover of unspent funds amounting to R490 490. The Municipality have been requested to pay back the amount of R509 510 spent in prior years for paying the Pound consultant.

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 Restated R
Planning and Development Grant			
Balance unspent at beginning of year		47 621	47 621
Current year receipts		-	-
Conditions met - transferred to revenue		-	-
Conditions still to be met - remain liabilities		47 621	47 621

The purpose of the grant is to assist the municipality with the implementation of development administration capacity building

Administration Capacity Building Grant

Balance unspent at beginning of year	205 686	205 686
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	205 686	205 686

The purpose of the grant is to assist the municipality with the implementation of development administration capacity building

Synergistic Partnership Grant

Balance unspent at beginning of year	123 104	123 104
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	123 104	123 104

The purpose of the grant is to facilitate the involvement of the Traditional Leaders in the Council meetings.

Strategic Support Grant

Balance unspent at beginning of year	93 848	93 848
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	93 848	93 848

The purpose of the grant is the implementation institutional and governance systems.

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 Restated R
Integrated Electrification Reds Grant			
Balance unspent at beginning of year		98 000	98 000
Current year receipts		-	-
Conditions met - transferred to revenue		-	-
Conditions still to be met - remain liabilities		98 000	98 000

The purpose of the grant is to assist with the planning for the implementation of reds.

Housing Community Gardens Grant

Balance unspent at beginning of year	72 864	72 864
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	72 864	72 864

The purpose of the grant is to assist the community of uPhongolo with the establishment of gardens

Tourism Candover Grant

Balance unspent at beginning of year	290 862	290 862
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	290 862	290 862

The purpose of the grant is to promote tourism in Candover

Municipal Development Planning and Capacity Building Grant

Balance unspent at beginning of year	100 000	100 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	100 000	100 000

The purpose of the grant is to assist the municipality with capacity development

Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No. 2 of 2014), the level of government grant funding is expected to increase by R14 021 million over the forthcoming 3 financial years.

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017	2016
		R	Restated R
16 Borrowings			
Annuity Loans		-	-
Non - current borrowings		-	-
Current portion transferred to current liabilities		-	243 236
Annuity Loans		-	243 236
Other borrowings		-	-
Total borrowings		-	243 236

Refer to Appendix A for more detail on borrowings.

The loan with Absa Bank for the acquisition of additional office buildings bears interest at the average effective borrowing rate which varied between 8.25% - 10.5% (2015: 8% - 8.25%). The loan was fully redeemed in April 2017.

17 Finance lease liability

2017	Minimum lease payment	Future finance charges	Present value of minimum lease payments
	R	R	R
Amounts payable under finance leases			
Within one year	2 931 230	(472 570)	2 458 660
Within two to five years	2 871 462	(224 562)	2 646 900
	5 802 692	(697 132)	5 105 560
Less: Amount due for settlement within 12 months (current portion)			(2 458 660)
			2 646 900
2016	Minimum lease payment	Future finance charges	Present value of minimum lease payments
	R	R	R
Amounts payable under finance leases			
Within one year	3 947 524	(548 508)	3 399 016
Within two to five years	4 093 131	(347 913)	3 745 218
	8 040 655	(896 421)	7 144 234
Less: Amount due for settlement within 12 months (current portion)			(3 399 016)
			3 745 218

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

	Note	2017	2016
		R	Restated R

17 Finance lease liability (Continued)

The instalment sale agreements with Standard Bank for the purchase of property, plant and equipment bear interest at the average effective borrowing rate which is 9.75% (2016: 9.75%) per annum. The loans are repayable on a monthly basis and the final is due on 30 June 2021. Obligations under finance leases are secured by the lessor's title to the leased asset.

The instalment sale agreements with Fleet Solution Horizon for the purchase of property, plant and equipment bear interest at the average effective borrowing rate which is 15.50% per annum. The loans are repayable on a monthly basis and the final is due on 31 May 2020. Obligations under finance leases are secured by the lessor's title to the leased asset.

Certain motor vehicles, and plant and machinery with a combined carrying value of R14 231 057 have been pledged as security for the finance lease agreements. Refer to note 7.

18 Property rates

Actual

Residential	7 305 936	6 468 672
Commercial	8 291 671	7 467 234
State	10 078 619	7 036 513
Other	5 726 020	5 860 229
Total property rates	31 402 246	26 832 648
Property rates - penalties imposed and collection charges	-	-
Total	31 402 246	26 832 648

Valuations

Residential	711 914 000	690 026 000
Commercial	482 450 000	467 390 000
State	442 857 000	331 534 000
Municipal	92 671 000	86 577 000
Other	1 615 869 600	1 524 659 600
Total Property Valuations	3 345 761 600	3 100 186 600

Valuations on land and buildings are performed every five years. The current general valuation was implemented on 1 July 2014 instead of 1 July 2013. The MEC for Cooperative Governance and Traditional Affairs condoned the late implementation. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions including new developments.

Rebates of R60 000 are granted to residential and 30% state property owners. Rates are levied on a monthly basis on property owners.

Rates are levied on a monthly basis for other properties and on an annual basis for government properties with the final date of payment being 31 August 2017 (2016: 31 August). Interest at 10% per annum (2016: 10%) is levied on outstanding rates. No collection charges are levied by the municipality.

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 Restated R
19 Service charges			
Sale of electricity		35 130 129	32 259 269
Refuse removal		9 377 756	8 494 757
Total Service Charges		44 507 885	40 754 026
20 Rental of facilities and equipment			
Rental of facilities		745 718	709 472
Total rentals		745 718	709 472
21 Interest earned - external investments			
Current Account		89 878	124 279
External investments		1 202 643	1 490 856
Total interest		1 292 521	1 615 135
22 Interest earned - outstanding receivables			
Property rates		3 073 676	2 708 062
Services		2 664 038	2 393 281
Other		1 647 237	17 808
Total interest		9 066 176	5 119 151
23 Government grants and subsidies			
Operating grants			
Equitable Share		97 800 000	96 890 000
Expanded Public Works Programme Grant (EPWP)		3 021 000	4 449 000
Financial Management Grant (FMG)		1 825 000	1 800 000
Municipal Systems Improvement Grant (MSIG)		-	930 000
Provincialisation of libraries Grant		965 000	973 000
Community Library Services Grant		358 000	340 000
Municipal Infrastructure Grant (MIG)		1 512 099	3 787 820
Pound Grant		(509 510)	-
Sports Facility Grant		167 000	165 863
Total operating grants		105 138 589	109 335 683

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 Restated R
23 Government grants and subsidies (Continues)			
Capital grants			
Municipal Infrastructure Grant (MIG)		40 131 140	26 337 141
Integrated National Electrification Programme Grant (INEP)		17 998 506	12 000 000
Massification Electricity Programme		3 043 642	6 956 358
Small Town Improvement Grant		420 764	108 768
Flea Market Grant		-	703 750
Sub-Rank Facility Grant		460 375	1 134 635
Imbube Cultural Village Grant		2 232 062	3 331 817
Total capital grants		64 286 489	50 572 469
Total Government Grant and Subsidies		169 425 078	159 908 152
Equitable Share			
Transfers received		97 800 000	96 890 000
Equitable Share		97 800 000	96 890 000

This grant is an unconditional grant and is partially used for the provision of free basic services to indigent community members. Registered indigents receive a rebate of 100% on assessment rates, 50 kwh of electricity (per household) as well as alternative source of energy (green gel).

24 Other Income From Exchange Transactions

Other income

NPA fees	794 991	853 719
Transport subsidy	487 183	738 491
Sign boards	62 207	59 214
Burial fees	108 607	104 903
Building plans	16 218	42 354
Tender document fees	195 216	183 773
Certificate clearance and validation	21 932	12 621
Dumping fees	9 940	8 514
Electricity connection and reconnection fees	56 321	83 773
Other income	294 162	336 237
Total Other Income	2 046 777	2 423 599

uPhongolo Local Municipality

Notes to the Annual Financial Statements

for the year ended 30 June 2017

Note	2017	2016
	R	Restated R
25 Employee Related Costs		
Employee related costs - Salaries and Wages	48 665 062	44 062 763
Employee related costs - Contributions for UIF, pensions and medical aids	8 293 477	8 477 615
Travel, motor car, accommodation, subsistence and other allowances	4 019 465	3 318 793
Housing benefits and allowances	408 170	484 468
Overtime payments	2 857 855	2 209 496
Performance and other bonuses	3 596 733	3 297 235
Other employee related costs	1 893 928	1 305 658
Workmens compensation assurance	399 076	494 211
Skills development levy	581 921	566 684
Total	70 715 687	64 216 923

There were no advances to employees. The municipality does not give loans to employees.

Remuneration of the Municipal Manager

Annual Remuneration	1 012 234	733 944
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	229 623	-
Contributions to UIF, Medical and Pension Funds	16 909	8 888
Total	1 258 766	742 832

Appointed 1 October 2015.

Remuneration of the Chief Finance Officer

Annual Remuneration	831 097	857 067
Performance- and other bonuses	61 689	-
Travel, motor car, accommodation, subsistence and other allowances	223 196	5 722
Contributions to UIF, Medical and Pension Funds	15 104	12 234
Total	1 131 086	875 023

Remuneration of Technical Services Manager

Annual Remuneration	762 651	71 278
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	222 032	-
Contributions to UIF, Medical and Pension Funds	14 091	868
Total	998 774	72 146

Appointed 1 June 2016.

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

Note	2017 R	2016 Restated R
25 Employee Related Costs		
Remuneration of Community Services Manager		
Annual Remuneration	831 097	866 914
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	117 405	19 487
Contributions to UIF, Medical and Pension Funds	11 960	11 860
Total	960 462	898 261
Remuneration of Corporate Services Manager		
Annual Remuneration	910 657	67 272
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	72 532	-
Contributions to UIF, Medical and Pension Funds	13 582	829
Total	996 771	68 101
Appointed 1 June 2016.		
26 Remuneration of Councillors		
Mayor	453 661	443 351
Deputy Mayor	368 350	359 574
Speaker	367 989	424 239
Executive Committee Members	1 040 363	1 018 909
Councillors	6 033 813	5 439 070
Other allowances		72 639
Total Councillors' Remuneration	8 264 176	7 757 782
Councillors' remuneration comprises:		
Councillors' remuneration	5 833 024	5 170 826
Motor vehicle allowance	1 822 457	1 723 610
Cellphone allowance	608 695	660 636
Other allowances	-	202 710
Total Councillors' Remuneration	8 264 176	7 757 782

The municipality has 29 part time councillors. 1 Part time councillor is a chairperson of section 79 committee.

In-kind Benefits

The Mayor, Speaker, Deputy Mayor and Executive Committee Members are not full time. The Mayor, Speaker and Dep Mayor are provided with an office and secretarial support at a cost to the Council.

The Mayor, Speaker and Dep Mayor make use of the Council owned vehicle for official duties. The Mayor and Dep Mayor has 3 contracted bodyguards respectively.

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

Note	2017 R	2016 Restated R
27 Contribution to provisions		
Contribution to Leave Provision	1 626 082	1 807 473
Contribution to Landfill Provision	801 308	449 005
Contribution to VAT and PAYE Provision - Sars	-	(2 748 627)
Total contribution to provisions	2 427 390	(492 149)
28 Depreciation and amortisation		
Property, plant and equipment	9 102 301	7 563 736
Intangible assets	87 494	115 164
Total Depreciation and Amortisation	9 189 795	7 678 900
29 Finance costs		
Borrowings	578 942	404 066
South African Revenue Service	242 116	(1 374 313)
Suppliers	84 024	399 964
Total Finance Costs	887 541	(569 913)
30 Bulk purchases		
Electricity	26 191 668	25 370 106
Total Bulk Purchases	26 191 668	25 370 106
Electricity distribution losses		
Distribution losses (units)	4 773 668	4 855 083
Percentage electricity distribution losses	16,2%	15,9%
The municipality purchased 29 380 000 units (2016: 30 596 675 units) from Eskom but only sold 24 606 332 (2016: 25 741 592 units) to consumers. This represents a loss of 4 773 668 units equating R4 255 627 (2016: 4 855 083 units equating R4 025 731) translating to a percentage loss of 16.2% (2016: 15.9%). The electricity losses are a result of illegal connections and technical losses.		
31 Contracted services		
Contracted services for:		
Security services	5 714 207	6 264 102
Financial and ICT systems support	4 269 640	2 394 771
Value-Added Tax services	-	-
Refuse removal and landfill site maintenance	4 811 091	5 035 126
Outsourced electricity services	572 221	546 772
Maintenance of parks and gardens	9 099 729	6 490 629
Total Contracted Services	24 466 888	20 731 400

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

Note	2017	2016
	R	Restated R
32 General expenses		
Advertising	363 681	205 193
Audit committee fees	268 559	237 165
Audit fees	1 725 313	1 575 335
Bank charges	184 784	272 821
Cleaning	271 150	289 701
Consulting and professional fees	3 875 768	951 772
Electricity and refuse	616 923	1 277 843
Expanded Public Works Programme	3 712 972	5 868 868
Fuel and oil	1 698 926	1 528 285
Hire of equipment	2 872 458	620 741
Insurance	1 136 846	839 440
Legal expenses	351 234	339 944
Licence fees	765 630	224 950
Postage and courier	4 132	15 934
Printing and stationery	793 722	910 931
Public Participation	3 693 756	3 830 266
Refreshments	329 417	252 550
Rental of office equipment	1 113 553	1 016 445
Security - cash banking	132 976	166 598
Shared services	-	235 610
Subscriptions and membership fees	164 510	836 421
General expenses (Continued)		
Telephone and fax	1 378 618	917 754
Training	1 016 971	1 399 140
Transport	516 309	541 933
Travel and subsistence	7 813 992	6 573 156
Uniforms and overalls	388 359	547 744
Ward Upliftment and LED projects	2 976 926	3 442 519
Water and Sanitation	201 805	539 133
Other	5 581 177	3 362 598
Total General Expenses	43 950 466	38 820 790
33 (Profit)/Loss on disposal of assets		
Property, plant and equipment	276 708	32 768
Total Loss on Sale of Assets	276 708	(276 768)
34 Impairment loss		
Property, plant and equipment	2 182 922	43 062
Total Impairment loss	2 182 922	43 062

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

Note	2017 R	2016 Restated R
35 Electricity expense- free basic services		
Free basic services	1 657 011	2 450 840
Total Electricity free basic services	1 657 011	2 450 840
36 Fair value gain		
Investment property carried at fair value	(13 565 000)	(7 270 000)
Total Profit on Fair Value Adjustment	(13 565 000)	(7 270 000)
The fair value of investment properties was determined by external, independent property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. The valuation was performed in line with GRAP 16.		
37 Cash generated by operations		
Surplus for the year	64 466 334	60 446 610
Adjustment for:-		
Depreciation and amortisation	9 189 795	7 678 900
Interest income	(10 358 697)	(6 734 286)
(Gain)/Loss on sale of assets	276 708	(276 768)
Contribution to provisions - non-current	1 137 668	(3 165 055)
Debt impairment	14 019 428	13 507 390
Finance costs	887 541	-569 913
Fair value adjustments	(13 565 000)	(7 270 000)
Impairment loss	2 182 922	43 062
Defined benefit plan obligations	90 046	406 807
Operating surplus before working capital changes:	68 326 745	64 066 747
Decrease in inventories	-	-
(Decrease)/Increase in exchange receivables	(13 021 040)	(9 765 214)
(Decrease)/Increase in non-exchange receivables	(12 870 387)	(5 956 971)
(Increase)/Decrease in prepayments	496 096	(40 094)
Increase in exchange payables	3 274 013	4 896 574
Increase / Decrease in vat refundable	3 153 386	(6 265 099)
Increase / Decrease in consumer deposit	783 341	1 324 222
Increase / Decrease in revenue received in advance	(114 592)	-
Cash generated by operations	50 027 562	48 260 165

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

Note	2017	2016
	R	Restated R

38 Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	1 603 862	9 774 199
Net cash and cash equivalents	1 603 862	9 774 199

There was no bank overdraft outstanding at the end of the financial year.

39 Correction of prior period errors

The comparatives for 2015/16 have been restated in respect of the following errors:

Trade and other receivables from exchange transactions

In the previous set of financial statements for the year ended 30 June 2016, the figure indicated under trade and other receivables from exchange transactions, was incorrectly stated. This was corrected and the balance is restated as follows:

Closing balance as at 30 June 2016	9 590 609
Correction of error: Service charges reversed	(1 180 774)

Restated balance	8 409 835
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Trade and other receivables from non-exchange transactions

In the previous set of financial statements for the year ended 30 June 2016, the figure indicated under trade and other receivables from non-exchange transactions, was incorrectly stated. This was corrected and the balance is restated as follows:

Closing balance as at 30 June 2016	54 521 903
Correction of error: Property rates reversed	(730 514)
Restated balance	53 791 389

Vat receivable

In the previous set of financial statements for the year ended 30 June 2016, the figure indicated under vat receivable, was incorrectly stated. This was corrected and the balance is restated as follows:

Closing balance as at 30 June 2016	13 925 592
Correction of error: Vat receivable provision	(3 563 684)
Restated balance	10 361 908

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

Note	2017 R	2016 Restated R
39 Correction of prior period errors (Continues)		
Property, plant and equipment		
In the previous set of financial statements for the year ended 30 June 2016, the figure indicated under property, plant and equipment, was incorrectly stated. This was corrected and the balance is restated as follows:		
The comparative amount has been restated as follows:		
Closing balance as at 30 June 2016		306 250 542
Correction of error: Cost		(4 578 326)
Correction of error: Accumulated depreciation		72 638
Correction of error: Decommissioning asset in respect of landfill provision previously understated		3 965 208
Restated balance		305 710 062
Trade and other payables from exchange transactions		
After the compilation and submission of the annual financial statements for the year ended 30 June 2016, it became apparent that the trade and other payables from exchange transactions was mistated. This was corrected and the balance is restated as follows:		
Closing balance as at 30 June 2016		37 545 658
Correction of error: Expenditure overstated in previous years		(4 583 932)
Restated balance		32 961 726
Unspent conditional grants and receipts		
After the compilation and submission of the annual financial statements for the year ended 30 June 2016, it became apparent that the conditional grants were mistated. This was corrected and the balance is restated as follows:		
Closing balance as at 30 June 2016		12 763 480
Correction of error: Recognition of revenue understated in previous years		(5 073 287)
Restated balance		7 690 193
Non current provision- Landfill site		
After the compilation and submission of the annual financial statements for the year ended 30 June 2016, it became apparent that the non current provision were mistated. This was corrected and the balance is restated as follows:		
Closing balance as at 30 June 2016		4 948 939
Correction of error: non current provision understated in previous years		3 965 208
Restated balance		8 914 147

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

Note	2017 R	2016 Restated R
39 Correction of prior period errors (Continues)		
Statement of Financial Performance:		
Service charges		
Service charges previously reported		41 423 596
Correction of error: Refuse and electricity income mistated		(669 570)
Effect on financial performance		40 754 026
Interest earned outstanding receivable		
Interest earned outstanding receivable previously reported		5 748 835
Correction of error: Interest earned outstanding receivable incorrectly recognised and now adjusted		(629 684)
Effect on financial performance		5 119 151
Property rates		
Property rates previously reported		26 874 788
Correction of error: Property rates incorrectly recognised and now adjusted		(42 140)
Effect on financial performance		26 832 648
Government grants and subsidies		
Government grants and subsidies previously reported		157 306 194
Revenue recognised in respect of COGTA electrification Grant		1 884 248
Revenue recognised in respect of Flea market grant		211 611
Revenue recognised in respect of Library community services grant		105 123
Revenue recognised in respect of Imbube cultural village grant		400 976
Effect on financial performance		159 908 152
Employee related cost		
Employee related cost previously reported		65 896 348
Correction of error: employee related cost double captured and now adjusted		(1 679 425)
Effect on financial performance		64 216 923
Dept impairment		
Debt impairment previously reported		9 952 999
Correction of error: Debt impairment understated and now adjusted		3 554 391
Effect on financial performance		13 507 390

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

Note	2017 R	2016 Restated R
39 Correction of prior period errors (Continues)		
Depreciation and amortisation		
Depreciation and amortisation previously reported		7 606 150
Correction of error: Depreciation in respect of electricity infrastructure misstated		72 750
Effect on financial performance		7 678 900
Repairs and maintenance:		
Repairs and maintenance previously reported		6 389 942
Correction of error: Repairs and maintenance not accrued in 2015/16		68 768
Effect on financial performance		6 458 710
Finance charges:		
Finance charges previously reported		(570 283)
Correction of error: Interest on Sars provision		370
Effect on financial performance		(569 913)
Contracted services:		
Contracted services previously reported		20 374 486
Correction of error: Contracted services not accrued in 2015/16		356 914
Effect on financial performance		20 731 400
General expenses:		
General expenses previously reported		38 469 280
Correction of error: General expenses not accrued		351 510
Effect on financial performance		38 820 790
Total impact of corrected errors on the statement of financial performance		1 464 714
Total impact on statement of financial position		323 441
Total impact on prior year opening accumulated surplus		1 141 273
Accumulated surplus:		
Accumulated surplus previously reported		325 434 646
Correction of error: Expenditure understated in the previous years		1 141 273
Effect on financial performance		326 575 919

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

Note	2017 R	2016 Restated R
39 Correction of prior period errors (Continues)		
After all corrections of errors and changes in accounting policies are accounted for, the restated accumulated surplus as at 30 June 2016, will be as follows:		
Statement of Changes in Net Assets		
Closing balance as at 30 June 2016		387 345 979
Correction of error		(323 441)
Restated balance 30 June 2016		387 022 538
Cash flow statement:		
Cash flow from operating activities		
Receipts		
Sale of goods and services previously reported		51 267 055
Correction of error: revenue over recognised		511 826
Restated cash flow		51 778 881
Interest income previously reported		7 363 970
Correction of error: revenue over recognised		(59 771)
Restated cash flow		7 304 199
Employee costs		
Employee cost reported		(65 896 348)
Correction of error: expenditure over recognised		1 679 425
Restated cash flow		(64 216 923)
Payments		
Suppliers previously reported		(95 771 579)
Correction of error: expenditure over recognised		2 427 807
Restated cash flow		(93 343 772)
Interest paid previously reported		570 283
Correction of error: expenditure over recognised		(370)
Restated cash flow		569 913
Cash flow from investing activities		
Purchase of property, plant and equipment		
Purchase of property, plant and equipment previously reported		(59 920 191)
Correction of error: assets not accrued		(19 302)
Restated cash flow		(59 939 493)

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

Note	2017	2016
	R	Restated R
39 Correction of prior period errors (Continues)		
Cash flow from financing activities		
Unspent conditional grants		
Unspent conditional grants previously reported		-
Correction of error movement in unconditional grants not separately disclosed		(2 645 480)
Restated cash flow		(2 645 480)
Cash generated by operations		
Operating surplus before working capital previously reported		65 452 538
Correction of error		(1 385 791)
Restated cash flow		64 066 747
Cash generated by operations previously reported		51 575 360
Correction of error		(3 315 195)
Restated cash flow		48 260 165
40 Unauthorised, irregular, fruitless and wasteful Expenditure		
40.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure		
Opening balance	13 971 143	31 701 905
Unauthorised expenditure current year	2 205 955	13 971 143
Prior year corrections	-	-
Written off by Council	-	(31 701 905)
Unauthorised expenditure awaiting authorisation	16 177 098	13 971 143

The above unauthorised expenditure within the votes is as a result of year-end accounting transactions not budgeted for. This unauthorised expenditure will be tabled in a special adjustment budget when the annual report is tabled accordance with section 23(6) of the Budget and Reporting Regulations. Despite the significant overspending on some of the votes, the total expenditure exceeded the budget by an insignificant amount.

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

Note	2017	2016
	R	Restated R
40 Unauthorised, irregular, fruitless and wasteful Expenditure (Continues)		
40.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance -	342 341	296 167
Fruitless and wasteful expenditure current year	781 075	106 291
Written off by Council	-	(60 117)
Fruitless and wasteful expenditure awaiting condonement	1 123 416	342 341

The fruitless and wasteful expenditure incurred during the current has not yet been presented to council. The following incidents occurred in the previous year and have not yet been finalised.

Incident	Disciplinary steps/criminal proceedings
Payment for refuse drums	Handed over to lawyers for collection
Payment for accommodation	Handed over to lawyers for collection
Interest on late payments	Condoned

40.3 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	24 429 755	55 804 889
Irregular expenditure current year	41 358 057	24 429 755
Prior year irregular expenditure identified in this financial year	16 987 331	-
Written off by Council	-	(55 804 889)
Irregular expenditure awaiting to be written off	82 775 143	24 429 755

Incident	Disciplinary steps/criminal proceedings
<i>Non-adherence to Supply Chain Regulations</i>	<i>None</i>

The councillors referred the irregular expenditure incurred prior to 2016/17 to MPAC for investigation. The irregular expenditure will be submitted to the MEC for Cogta and National Treasury for condonement during 2017/18. The irregular expenditure for the current year has yet to be presented to council.

Management is still in the process of quantifying the full extent of items to be included.

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

Note	2017	2016
	R	Restated R

41 Supply chain management regulations - Other Matters

Paragraph 13(c)(iii) of Government Gazette No. 27636 issued in May 2005 indicates that a supply chain management policy must state that a municipality may not consider a written quotation or bid unless the provider who submitted a quotation or bid has indicated whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

Paragraph 45(a), (b) and (c) of Government Gazette No. 27636 issued in May 2205 states that the notes to the annual financial statements of a municipality or municipal entity must disclose particulars of any award of more than R2,000 to a person who is a spouse, child, parent of a person in the service of the state, or has been in the service of the state in the previous twelve months.

Awards to employees from other organs of state

	2017	2016
Dzeworx Construction - KZN Social Development	-	168 575
Sobethu Mgazi (Pty) Ltd - KZN Education	-	21 800
W W Mgijima (Pty) Ltd - South African Post Office Ltd	-	1 900
Help Africa Companies (Pty) Ltd - Ekurhuleni Metro	-	25 972
P Gerhadus - Mossel Bay Municipality (Imesa)	-	12 500
N E Dlamini - National Public Works & Administration	-	700 979
B E Ngobese - KZN Education	-	232 558
Afgri- Public Investment Corporation Limited	7 209	
Afgri- Public Investment Corporation Limited	7 209	
Afgri- Public Investment Corporation Limited	7 209	
Aymama Trading - Transnet Freight Rail	572 062	
Ezomgobo - KZN Education	213 117	
Ikusasalentsha Events Managers - KZN Transport	117 880	
InguboYethu Trading and Projects - KZN Education	191 980	
Inzululwazi - KZN Health	1 155 880	
Jikelele Primary Co-Operative Limited - KZN Transport	5 340	
KMPG - City Of Cape Town	4 145 351	
Kuthangi Lodge - KZN Health	50 400	
Len Dekker Attorneys - Commision for Conciliation Mediation and Abitration	66 079	
L O Tantsi Fire Consultants - SAA Technical	1 250	
MD and L Creation and Projects - Transet Freight Rail	79 344	
MNT Geomatics - Amahlati Local Municipality	2 018 300	
Neat and Fast Auto Trimmers and Spares -		
NAT:Rural Development & Land Reform	99 573	
Nondaba Business Consulting - KZN Co-Operative Governance & Trading Affairs	120 000	
Nonyamazane General Trading - KZN Health	174 837	
Pitiliza Trading and Projects - KZN Education	347 712	
PriceWaterHouseCoopers - Amahlati Local Municipality	6 440 720	
RPS Television - KZN Education	69 900	
Sabinet Online - Cassidra	86 566	

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

Note	2017	2016
	R	Restated R
41 Supply chain management regulations - Other Matters (Continues)		
Awards to employees from other organs of state (Continues)	2017	2016
Sabinet Online - National Library of South Africa	86 566	
Seskhona Production - Independent Electoral Commission	153 600	
Shubhisi Trading - Tshwane Metropolitan	120 000	
Spheli Multi-Purpose Primary Co-Operative Limited - KZN Health	102 040	
Spheli Multi-Purpose Primary Co-Operative Limited - KZN Agriculture, Environmental Affairs & Rural Development	102 040	
Spheli Multi-Purpose Primary Co-Operative Limited - KZN Transport	102 040	
Steven Samuels Management Consultants - Mafikeng Local Municipality	9 679	
Stevo Projects and Services - Eskom Holdings Ltd	117 000	
Tshangase General - MP Education	127 176	
Tshangase General - NAT: Rural Development & Land Reform	127 176	
Wenkosumusa Trading - KZN Transport	156 829	
WSS Mathetha Trading Enterprise - Transnet Freight Rail	3 990	
Yenzokuhle Trading - KZN Education	16 250	
	17 202 304	1 164 284
42 Additional disclosures in terms of Municipal Finance Management Act		
Contributions to organised local government (SALGA)		
Opening balance	500 000	500 000
Council subscriptions	-	-
Amount paid - current	(500 000)	(500 000)
Balance unpaid (included in payables)	-	-
Audit fees		
Opening balance	-	-
Current year audit fee	1 725 313	1 575 335
Amount paid - current year	(1 703 741)	(1 575 335)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	21 572	-
VAT refundable		
VAT refundable is shown in note 14. All VAT returns have been submitted by the due date throughout the year.		
The municipality is on the payment basis.		

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

Note	2017	2016
	R	Restated R
42 Additional disclosures in terms of Municipal Finance Management Act (Continues)		
PAYE and UIF		
Opening balance	771 879	587 340
Current year payroll deductions		8 910 354
Amount paid - current year	-	(9 514 679)
Adjustment- movement	1 387 062	788 864
Balance unpaid (included in payables)	2 158 941	771 879

The balance represents PAYE and UIF deducted from the June 2016 payroll. These amounts were paid during July 2016.

Pension and Medical Aid Deductions

Opening balance	1 054 397	639 810
Current year payroll deductions and Council Contributions	-	5 544 733
Amount paid - current year	-	(5 486 792)
Adjustment- movement	(51 600)	356 646
Balance unpaid (included in payables)	1 002 797	1 054 397

The balance represents pension and medical aid contributions deducted from employees in the June 2017. These amounts were paid during July 2017.

Councillor's arrear consumer accounts

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
The following Councillors had arrear accounts outstanding for more than 90 days as at: -			
as at 30 June 2017			
Cllr N J Mkhwanazi	294	294	-
Cllr B Mvelase	923	923	-
Cllr K E Nxumalo	445	445	-
Cllr A Z Thabede	2 558	2 558	-
Total Councillor Arrear Consumer Accounts	4 220	4 220	-

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

Note	2017	2016
	R	Restated R
42 Additional disclosures in terms of Municipal Finance Management Act (Continues)		
Councillor's arrear consumer accounts		
The following Councillors had arrear accounts outstanding for more than 90 days as at: -	Total	Outstanding less than 90 days
	R	R
as at 30 June 2016		
Cllr N J Mkhwanazi	545	545
Cllr B Mvelase	145	145
Cllr K E Nxumalo	412	412
Cllr Z L Nxumalo	130	130
Cllr A Z Thabede	2 061	2 061
Cllr C N Mavundla	374	374
Total Councillor Arrear Consumer Accounts	3 667	3 667
43 Capital commitments		
Commitments in respect of capital expenditure		
Approved and contracted for (Exclusive of VAT)	38 669 270	21 418 640
Infrastructure	19 445 985	15 414 035
Community	19 223 285	6 004 605
Other	-	-
Approved but not yet contracted for (Exclusive of VAT)	82 078 150	86 129 000
Infrastructure	61 057 210	66 000 500
Community	21 020 940	17 796 500
Other	-	2 332 000
Total	120 747 420	107 547 640
This expenditure will be financed from:		
Government Grants	120 747 420	72 797 844
External loans	-	32 417 796
Own resources	-	2 332 000
Total source of funds	120 747 420	107 547 640

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

Note	2017	2016
	R	Restated R
44 Operating leases		
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:		
Operating leases - lessee		
Within one year	209 706	516 356
In the second to fifth year inclusive	13 915	223 621
After five years	-	-
Total	223 621	739 977

Operating Leases consists of the following:

Certain of the municipality's property is held to generate rental income. Rental income recognised from major operating leases has not been accounted for on the straight-line basis over the lease terms because the lease agreements had expired and in the process of being renewed. There are contingent rents receivable.

45 Traffic fines

Fines recoverable at beginning of year	255 936	716 224
Less: Receipts during the year	(233 559)	(231 450)
	22 377	484 774
Fines recoverable raised during the year	202 274	255 936
Less: Impairment	(22 377)	(484 774)
Fines recoverable at end of year	202 274	255 936

The recoverability of traffic fines is uncertain. 15.3% (2016: 14.52%) of the total outstanding fines are considered recoverable, in accordance with a 3 year trend analysis, and have been accrued.

46 Employee benefit Obligation

The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

Thus, some of the entities defined benefit plans are not treated as defined benefit plans as defined by GRAP 25, but are rather accounted for as defined contribution plans. These are listed under the defined contribution plan heading as a GRAP 25 Exception.

This is in line with the exemption in GRAP 25 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans.

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

Note	2017	2016
	R	Restated R

46 Employee benefit Obligation (Continues)

Pension benefits

The Municipality's personnel are members of one of the pension funds listed below:

- KwaZulu-Natal Joint Municipal Pension Fund
- Municipal Gratuity Fund
- Municipal Employees Pension Fund
- Government Employees Pension Fund

As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans. An independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The 2017 actuarial valuations have not yet been released.

Superannuation Fund

The interim valuation carried out on the Superannuation Fund as at 31 March 2016 reflected:

- The memorandum account in respect of pensioners was fully funded.
- The liability in respect of active members was 100% funded.

Retirement and Provident Fund

The latest statutory valuation of the Retirement/Provident Fund (defined contribution) as at 31 March 2017 revealed that:

- The memorandum account in respect of pensioners was fully funded.
- The liability in respect of active members was 100% funded.

The following are defined benefit plans:

Long service benefits

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. The valuation was performed in line with GRAP 25 Employee benefits by KPMG Services (Pty) Ltd as at 30 June 2017.

The fund benefit liability as at 30 June 2017 has been discounted at the rate determined by using the yield curve determined by the Bond Exchange of South Africa.

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

Note		2017	2016
		R	Restated R
46	Employee benefit Obligation (Continues)		
	2018 Projected	2017	2016
	Changes in the present value of the defined benefit obligation are as follows:		
	Opening balance	959 449	578 651
	Service cost	116 961	77 709
	Interest cost	87 063	48 491
	Actual gains or losses recognised	-	74 049
	Benefits paid	(36 405)	(43 826)
	Total contributions expensed to the Statement of Financial Performance	1 127 068	735 074
	The amounts recognised in the statement of financial performance		
	Service cost	116 961	77 709
	Interest	87 063	48 491
	Actuarial (gain)/loss recognised	-	74 049
	Amount recognised in the statement of financial performance	204 024	200 249
	Reconciliation of net statement of financial position amount		
	Opening value	959 449	578 651
	Amount recognised in statement of financial performance	204 024	200 249
	Payment made to pensioners	(36 405)	(43 826)
	Closing value	1 127 068	735 074
	Principal actuarial assumptions:		
	Assumptions used at the reporting date:		
	Discount rate used	9,30%	9,20%
	Salary inflation	8,30%	8,20%
	Principal actuarial assumptions:		
	Sensivities		
	1% increase in discount rate		
	- Defined benefit obligation	842 180	959 449
	- Percentage	-12,2%	-12,7%
	1% decrease in discount rate		
	- Defined benefit obligation	1 099 656	959 449
	- Percentage	14,6%	15,2%

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

Note	2017	2016
	R	Restated R

46 Employee benefit Obligation (Continues)

1% decrease in salary inflation

- Defined benefit obligation	844 068	643 116
- Percentage	-12,0%	-12,5%

1% increase in salary inflation

- Defined benefit obligation	1 094 615	843 161
- Percentage	14,1%	14,7%

Medical benefits

Included in defined contribution plan information is the above plan which is a multi-year employer fund and is a defined benefit plan, but due to the fact sufficient information is not available to enable the municipality to account for the plan as a defined benefit plan. The municipality accounted for this plan as a defined contribution plan.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality by KPMG Services (Pty) Ltd

	2018 Projected	2017	2016
Present value of funded obligations	3 187 919	3 115 366	3 025 320
Total present value of obligations	3 187 919	3 115 366	3 025 320
Liability for defined benefit obligations in the statement of financial position	3 187 919	3 115 366	3 025 320

Changes in the present value of the defined benefit obligation are as follows:

	2018	2017	2016
Opening value	3 115 366	3 025 320	2 618 513
Interest costs	289 798	278 329	227 154
Actuarial losses/(gains)	-	11 626	368 822
Benefits paid	(217 245)	(199 909)	(189 169)
Closing value	3 187 919	3 115 366	3 025 320

Expenses and income recognised in surplus for the period

Current service costs			
Interest costs	289 798	278 329	227 154
Actuarial gains and losses	-	11 626	368 823
Amount recognised in income statement	289 798	289 955	595 977

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

Note	2017	2016
	R	Restated R

46 Employee benefit Obligation (Continues)

	2018	2017	2016
Reconciliation of net balance sheet amount			
Opening value	3 115 366	3 025 320	2 618 513
Amount recognised in income statement	289 798	289 955	595 976
Payment made to pensioners	(217 245)	(199 909)	(189 169)
Closing value	3 187 919	3 115 366	3 025 320

Principal actuarial assumptions:

Discount rate used	9,30%	9,20%
Salary inflation	8,30%	8,20%

Sensitivity to medical inflation assumptions

1% increase in medical inflation	3 487 869	3 402 774
Percentage	12,0%	12,5%
1% decrease in medical inflation	2 801 797	2 709 455
Percentage	-10,1%	-10,4%
1% decrease in Discount rate	3 502 204	2 703 694
Percentage	12,4%	-10,6%
1% decrease in Discount rate	2 795 654	3 416 784
Percentage	-10,3%	12,90%
Mortality less 2 years	5 024 369	3 234 787
	9,40%	8,63%

47 Contingent liabilities

Claim for breach of contract

Mayibuye Earthworks cc - this is a claim for damages in the amount of R2 062 915.34 excluding VAT against the municipality for breach of contract. The matter is defended by Council's attorneys.

Claim for use of private property without agreement

The Impala Water Users Association - this is a claim for the amount of R5 606.11 for the use of private property by the municipality without entering into a formal lease agreement with the owner of the property.

Claim for damages to vehicle

This is a claim for damages in the amount of R92 163.42 whereby the municipal vehicle collided with the private passenger vehicle owned by the claimant.

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

Note	2017	2016
	R	Restated R

47 Contingent liabilities (Continues)

Claim for services rendered but not paid for

Lekwa Consulting Engineers is claiming from the municipality the amount of R612 175.93 for services rendered. The municipality is disputing this claim since the consult was dismissed for shoddy work before incurring the alleged costs.

Claim for the balance of the contract price

Isibili Developments were contracted to construct a flea market but were dismissed before the completion of the project due to lack of performance. They are now claiming R617 464.36 representing the balance of the contract price.

Claim to enforce the sale agreement concluded with the Municipality

The trust and its Trustees brought an application against the Municipality to enforce the sale agreement concluded with the municipality to the value of approximately R43 million. The matter is defended by Councils Attorneys

48 Contingent asset

Lessor - rental agreements

The municipal has submitted all expired lease agreements to its legal advisors to determine the recovery of rentals in arrear. These lease agreements expired in the previous financial years and were never renewed. The recoverable amount cannot be estimated accurately.

Payment made for Accommodation during the SALGA games

The municipality paid Elam investments the amount of R164 480 for the accommodation during the SALGA games. The accommodation was not provided. The expenditure was condoned by Council.

49 In-kind assistance

Description

Department of Cooperative Governance and Traditional Affairs

- Implementation of Back to Basics (Service Delivery)
- Monthly review of reconciliations and compliance with MFMA and SCM Regulations
- Review of the Annual Financial Statements (AFS) for the year ended 30 June 2017

Provincial Treasury

- Monitoring the implementation of the Supply Chain Management Regulations.
- Implementation of cash management.
- Review of the Annual Financial Statements (AFS) for the year ended 30 June 2017

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

Note	2017	2016
	R	Restated R

49 Events after the reporting date

There were no events that occurred subsequent to year end that materially affected fair presentation of annual financial statements as at 30 June 2017. Subsequent to year end, the National Treasury disallowed the rollover of the MIG unspent funds - refer note 16.

50 Key sources of estimation uncertainty and judgments

The following areas involve a significant degree of estimation uncertainty:

- Useful lives and residual values of property, plant, and equipment

- Recoverable amounts of property, plant and equipment

- Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)

- Present value of defined benefit obligation

- Fair value of plan assets

- Provision for doubtful debts

- Impairment of assets

- Provision for long-term service award

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Impairment of assets

- Provisions

- Other

51 Risk Management

Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Amounts owing consumers debtors for rates and services are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

Note	2017	2016
	R	Restated R

51 Risk Management (Continues)

Capital risk management

The municipality's objective when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes borrowings (excluding derivative financial liabilities) disclosed in note 22, cash and cash equivalents disclosed in note 3, and equity as disclosed in the statement of financial position.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

	2017	2016
Consumer deposits	2 507 818	1 724 477
Trade payables from exchange transactions	36 235 739	32 961 726
Current portion of long-term borrowings	-	243 236
Current portion of finance lease liability	2 458 660	3 399 016
Non-current portion of long-term borrowings	-	-
Non-current portion of finance lease liability	2 646 900	3 745 218

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately all of its borrowings in fixed rate instruments where possible.

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

Note	2017	2016
	R	Restated R

51 Risk Management (Continues)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings in accordance with limits set by the council. Sales to customers are settled in cash.

At year end, the maximum exposure to credit risk was as follows:

	2017	2016
Cash and cash equivalents	1 603 862	9 774 199
Trade and other receivables from exchange transactions	7 411 447	7 411 447
Trade and other receivables from non-exchange transactions	66 661 776	53 791 389
Long term receivables from exchange transactions	3 498 857	3 610 944
Total credit risk exposure	79 175 942	74 587 979

52 Reclassification of information

After the compilation of the financial statements for the year ended 30 June 2016, it became apparent that certain items of general expenses were incorrectly classified as shown below:

Statement of Financial Performance:

Electricity expenses- free basic services previously reported	-
Reclassification: amount transferred from grants and subsidies paid	2 450 840
Effect on financial performance	2 450 840

Statement of Financial Performance:

Grant and subsidies paid previously reported	2 450 840
Reclassification: amount transferred to electricity expenses- free basic services	(2 450 840)
Effect on financial performance	-

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

Note	2017	2016
	R	Restated R

53 Going concern

Attention is drawn to the fact that at 30 June 2017, the municipality had cash resources of R1 603 862 (2016: R9 774 199 and current liabilities of R49 421 752 (2016: R51 914 844). This meant that the municipality was not in a position to meet its current obligations as at that date.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent liabilities and commitments will occur in the ordinary course of business. The municipality have adopted the revenue enhancement strategy that will assist in enhancing the collection. The in- house revenue collection unit will be established in order to implement the revenue enhancement strategy. The Vat refunds withheld by SARS are still under dispute and the matter is being handled by the municipal Attorneys.

54 Budget differences

The comparison of the Municipality's actual financial performance with that budgeted is set out on page 11.

Material differences between budget and actual amounts

The actual expenditure over the final approved budget was 98%.

Material differences was considered for variances above 5% in the budget statement.

Revenue

58.1 The increase in service charges is attributable to the increase in rates/tariffs as well

58.2 Rental of facilities and equipment increased due to increased demand for community halls and changes in approved rates/tariff and market stalls added to revenue streams.

58.3 Interest from external investments decreased to less funds invested in call accounts.

58.4 Interest earned on outstanding debtors increased mainly due to increased level of outstanding receivables.

58.5 Other income from exchange transactions increased mainly due to KZN subsidy and anticipated revenue from tender documents. Overall sundry revenue increased more than anticipated.

58.7 Property rates increased due to increase in property values and changes in rates category.

58.8 Fines revenue collected decreased during the year. The collection of fines depends mainly on the decision of the magistrates office.

58.9 Government grants and subsidies allocation decreased due disallowed roll- over of other conditional Grants.

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

Note	2017	2016
	R	Restated R

54 Budget differences (Continues)

Expenditure

58.10 Employee related costs increased due to increase in staff complement and general increase in salary scales.

58.11 Repairs and maintenance decreased due to the municipality is investing on new capital assets in order address the backlogs.

58.12 Finance changes decreased due to some loans were fully paid and the municipality raised only one new loan in current year.

58.13 The increase in contracted services is attributable to increased VIP protection expenditure, Implementation of MSCOA regulation, refuse removal and grass-cutting services.

58.14 General expenses: Increases over 10% of prior year expenditure:

Advertising	Less advertising was undertaken during the year under review
Audit committee fees	Number of special meetings increased and the appointment of an additional member.
Audit fees	The increase is attributable to inflation and volume of work undertaken as per the audit plan presented
Bank charges	Speedpoints were installed at the cashier's office and traffic department to enable customers to pay using bank cards
Consulting and professional fees	Less consultants in compliance with the request by National Treasury that the use of consultants should be decreased.
Electricity and refuse	The increase is due to the increase in tariff approved by NERSA and wastage by staff leaving offices without switching off the lights and airconditioners
Expanded Public Works Programme	The EPWP grant allocation increased hence the increase in expenditure
Fuel and Oil	Increase is due to increase in motor vehicle fleet and machinery.
Hire of equipment	Increase in own fleet has resulted in the decrease in the hire of equipment and machinery
Insurance	The increase is partly due to inflation and increase in assets.
Legal fees	Fewer matters were referred to the lawyers during the year.

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

Note		2017	2016
		R	Restated R
54	Budget differences (Continues)		
	Expenditure		
	Postage and courier	Increase due to use of postage stamps franking machine for the first time	
	Public participation	National Treasury encourages municipalities to be continually in contact with the community, hence the increase in expenditure	
	Refreshments	The municipality stopped the provision of beverages to its staff	
	Rental of office equipment	The increase is due to inflation	
	Security - banking services	The money is now banked in Richards Bay and not uPhongolo branch anymore, hence the increase in the security cost	
	Subscriptions and membership fees	The increase is attributable to the Salga levy which is based on the salaries budget which increased for the year under review	
	Telephone and fax	Increase is attributable mainly to inflation	
	Training	Decrease is due to a number of officials having completed the CPMD training	
	Travel and subsistence	The increase is moderate and is a combination of increased number of meetings as well as transport costs due to implementation of new regulation (MSCOA).	
	Uniforms and overalls	More protective clothing was purchased due to the increase in the number of general workers	
	Water and sanitation	The municipality took the decision to pay for water accounts owing by its own staff since the District Municipality demanded payment from the municipality for arrears	
	Other	The increase is mainly attributable to accommodation and communication expenditure	

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

Note	2017	2016
	R	Restated R
55 Deviation from supply chain management regulations		
Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.		
Paragraph 36 of the same gazette states that the Accounting Officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and include a note to the annual financial statements.		
During the year certain expenditure as outlined in appendix G was incurred and the process followed by incurring those goods and services deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the Accounting Officer who considered them and subsequently approved the deviations from the normal supply chain management regulations.		
Deviations for the current year	1 858 920	908 075
Approved by Accounting Officer	(1 858 920)	(908 075)
Balance carried forward	-	-

uPhongolo Local Municipality

APPENDIX A

SCHEDULE OF EXTERNAL LOANS

as at 30 June 2017

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2016	Received during the period	Redeemed / written off during the period	Balance at 30 June 2017	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
LONG-TERM LOANS			R	R	R	R	R	R
Amalgamated Banks of South Africa (Absa)	8061728158		243 236	12 867	(256 103)	-0	-	-
Total long-term loans			243 236	12 867	(256 103)	-0	-	-

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

uPhongolo Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2017

	Cost / Revaluation							Accumulated Depreciation and Accumulated Impairment						Carrying Value
	Opening Balance	Additions	Disposals	Prior year Adjustment	Work in Progress Capitalised	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Prior Year Adjustment	Closing Balance	
	R	R	R			R	R	R	R	R	R	R	R	
Land														
Land	64 593 299	-	-	-	-	-	64 593 299	-	-	-	-	-	-	64 593 299
Landfill Sites	948 179	-	-	-	-	-	948 179	-	-	-	-	-	-	948 179
	65 541 478	-	-			-	65 541 478	-	-	-	-	-	-	65 541 478
Buildings	27 699 663	-	-	-	7 590 554	-	35 290 217	(8 677 107)	(1 184 475)	-	(51 600)	:	(9 913 182)	25 377 035
Infrastructure							-							-
Roads & Storm Water	81 881 902	-	-	-	38 305 364	-	120 187 266	(21 066 602)	(4 657 718)	-	(2 062 983)		(27 787 303)	92 399 963
Electricity Mains	14 572 092	250 000	-	-	(29 500)	-	14 792 592	(2 365 884)	(549 759)	5 961	(14 296)		(2 923 988)	11 868 604
Solid Waste Disposal	315 800	-					315 800	(4 544)	(34 694)		(10 143)		(49 381)	266 419
	96 769 794	250 000	-	-	38 275 864	-	135 295 658	(23 437 030)	(5 242 171)	5 961	(2 087 422)	-	(30 760 672)	104 534 986
Under construction														
Buildings	28 397 986	9 486 152	-	-	(7 590 554)	-	30 293 584	-	-	-	-	-	-	30 293 584
Roads & Storm Water	53 142 880	30 163 718	-	-	(38 305 364)	-	45 001 234	-	-	-	-	-	-	45 001 234
Electricity Mains	47 112 672	18 037 369	-	-	-	-	65 150 041	-	-	-	-	-	-	65 150 041
	128 653 538	57 687 239	-	-	(45 895 918)	-	140 444 859	-	-	-	-	-	-	140 444 859
Community Assets														
Parks & Gardens	-	-	-			-	-	-	-	-	-	-	-	-
Libraries	-	-	-			-	-	-	-	-	-	-	-	-
Recreation Grounds	-	-	-			-	-	-	-	-	-	-	-	-
Civic Buildings	-	-	-			-	-	-	-	-	-	-	-	-
Stadiums	-	-	-			-	-	-	-	-	-	-	-	-
Halls	-	-	-			-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-			-	-	-	-	-	-	-	-	-
Total carried forward	318 664 473	57 937 239	-		(29 500)	-	376 572 212	(32 114 137)	(6 426 646)	5 961	(2 139 022)	-	(40 673 854)	335 898 358

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

uPhongolo Local Municipality

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

for the year ended 30 June 2017

Cost / Revaluation								Accumulated Depreciation						Carrying Value
	Opening Balance	Additions	Disposals	Prior year Adjustment	Work in Progress Capitalised	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Prior Year Adjustment	Closing Balance	
	R	R	R			R	R	R	R	R	R	R	R	R
Total brought forward	318 664 473	57 937 239		-		(29 500)	-376 572 212	(32 114 137)	(6 426 646)	5 961	(2 139 022)		-(40 673 854)	335 898 358
Other Assets														
Furniture & Fittings	3 220 848	378 945	(478 610)	1 403			- 3 122 586	(1 875 651)	(405 428)	303 939	(11 284)		-(1 988 424)	1 134 162
Machinery & Equipment	10 031 047	74 077	(69 009)	-	-		- 10 036 115	(3 360 543)	(878 435)	50 783	(30 040)		-(4 218 235)	5 817 880
Motor Vehicles	8 519 289	1 180 706	(62 408)	-			- 9 637 587	(2 522 074)	(1 004 561)	50 689	(156)		-(3 476 102)	6 161 485
Computer Equipment	2 333 625	301 497	(188 813)	34 438			- 2 480 747	(1 152 034)	(387 230)	140 275	(2 420)		-(1 401 403)	1 079 344
Decommissioning assets (Landfill site)	-	-	-	-			- 3 965 208		-	-			3 965 214	3 965 214
	24 104 809	1 935 225	(798 840)	35 841	-		- 25 277 035	(4 945 094)	(2 675 654)	545 686	(43 900)		-(7 118 950)	18 158 085
Finance Lease Assets														
Machinery & Equipment	-	-	-				-	-	-	-	-	-	-	-
Motor Vehicles	-	-	-				-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	342 769 282	59 872 464	(798 840)	35 841	(29 500)		-401 849 247	(37 059 231)	(9 102 300)	551 647	(2 182 922)		-(47 792 804)	354 056 443

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

uPhongolo Local Municipality

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

for the year ended 30 June 2016

	Cost / Revaluation						Accumulated Depreciation and Accumulated Impairment						Carrying Value
	Opening Balance	Additions	Disposals	Work in progress Capitalised	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Prior Year Adjustment	Closing Balance	
	R	R	R		R	R	R	R	R	R	R	R	R
Land													
Land	64 593 299	-	-	-	-	64 593 299	-	-	-	-	-	-	64 593 299
Landfill Sites	948 179	-	--	-	-	948 179	-	-	-	-	-	-	948 179
	65 541 478	0	--	0	0	65 541 478	0	0	0	0	0	0	65 541 478
Buildings	22 114 905	147 500	--	5 437 258	-	27 699 663	(8 677 052)	(55)	-	-	-	(8 677 107)	19 022 556
Infrastructure													
Roads	81 881 902	-	--	-	-	81 881 902	(17 125 022)	(3 941 580)	-	-	-	(21 066 602)	60 815 300
Electricity Mains	14 572 092	-	--	-	-	14 572 092	(2 310 336)	-	-	-	(55 538)	(2 365 884)	12 206 208
Solid Waste Disposal	315 800	-	-	-	-	315 800	(4 544)	-	-	-	-	(4 544)	311 256
	96 769 794	-	-	-	-	96 769 794	(19 439 902)	(3 941 580)	-	-	(55 538)	(23 437 030)	73 332 764
Under construction													
Buildings	28 397 986	-	--	-	-	28 397 986	-	-	-	-	-	-	28 397 986
Roads & Storm Water	53 142 880	-	--	-	-	53 142 880	-	-	-	-	-	-	53 142 880
Electricity Mains	47 112 672	-	--	-	-	47 112 672	-	-	-	-	-	-	47 112 672
	128 653 538	-	-	-	-	128 653 538	-	-	-	-	-	-	128 653 538
Community Assets													
Parks & Gardens		-	-	-	-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds		-	-	-	-	-	-	-	-	-	-	-	-
Civic Buildings		-	-	-	-	-	-	-	-	-	-	-	-
Stadiums		-	-	-	-	-	-	-	-	-	-	-	-
Halls		-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries		-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	313 079 715	147 500	-	5 437 258	-	318 664 473	(28 116 954)	(3 941 635)	-	-	(55 538)	(32 114 137)	286 550 336

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

uPhongolo Local Municipality

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

for the year ended 30 June 2016

	Cost / Revaluation						Accumulated Depreciation						Carrying Value
	Opening Balance	Additions	Disposal	Work in Progress Capitalised	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposal	Impairment loss / Reversal of impairment loss	Prior Year Adjustments	Closing Balance	
	R	R	R		R	R	R	R	R	R	R	R	R
Total brought forward	313 079 715	147 500	-	-	-	318 664 473	(28 116 954)	(3 941 635)	-	-	-	(32 114 137)	286 550 336
Other Assets													
Furniture & Fittings	2 728 511	492 337			-	3 220 848	(1 875 651)	-	-	-	-	(1 875 651)	1 345 197
Machinery & Equipment	6 398 980	3 616 626	(1 963)	17 404	-	10 031 047	(3 373 699)	-	-	-	13 156	(3 360 543)	6 670 504
Motor Vehicles	6 202 984	2 390 916	(74 611)		-	8 519 289	(2 522 074)	-	-	-	-	(2 522 074)	5 997 215
Computer Equipment	1 744 856	609 251	(20 482)		-	2 333 625	(1 152 034)	-	-	-	-	(1 152 034)	1 181 591
Decommissioning assets (Landfill site)	-	-		-	-	-	-	- 3 965 209		-	-	3 965 209	3 965 209
	17 075 331	7 109 130	(97 056)	17 404	-	24 104 809	(8 923 458)	- 3 965 209		-	13 156	(4 945 093)	19 159 716
Finance Lease Assets													
Machinery & Equipment		-	-		-	-		-	-	-	-	-	-
Motor Vehicles		-	-		-	-		-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	330 155 046	7 256 630	(97 056)	17 404	-	342 769 282	(37 040 412)	(3 941 635)	3 965 209	-	13 156	(37 059 230)	305 710 052

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

uPhongolo Local Municipality
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2017

	Cost / Revaluation					Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Executive & Council	2 497 955				2 497 955	(198 020)			(198 020)	2 299 935
Budget and Treasury	2 784 218				2 784 218	(1 866 471)	(362 580)		(2 229 051)	555 167
Corporate Services	101 354 620	1 971 067	9 486 152	(654 249)	112 157 590	(7 563 505)	(1 205 744)		(8 769 249)	103 388 341
Community & Social Services	17 669 948	38 202			17 708 150	(2 664 796)	(249 389)		(2 914 185)	14 793 965
Sport & Recreation	23 255				23 255	(125 312)			(125 312)	(102 057)
Public Safety	378 124				378 124	(966 087)			(966 087)	(587 963)
Planning & Development	6 192 890				6 192 890	(1 896 841)	(1 804 552)		(3 701 393)	2 491 497
Road Transport	140 952 338		30 163 718		171 116 056	(15 630 973)	(6 720 701)		(22 351 674)	148 764 382
Electricity	69 651 409	250 000	18 037 369		87 938 778	(6 147 215)	(558 094)		(6 705 309)	81 233 469
Waste Management	1 264 525				1 264 525	-	(44 823)		(44 823)	1 219 702
Under Construction	-				-	-			-	-
Total	342 769 282	2 259 269	57 687 239	(654 249)	402 061 541	(37 059 220)	(10 945 883)	-	(48 005 103)	354 056 438

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

uPhongolo Local Municipality
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2017

	Cost / Revaluation					Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Executive & Council	2 497 955				2 497 955	(198 020)			(198 020)	2 299 935
Budget and Treasury	2 784 218				2 784 218	(1 866 471)	(362 580)		(2 229 051)	555 167
Corporate Services	101 354 620	1 971 067	9 486 152	(654 249)	112 157 590	(7 563 505)	(1 205 744)		(8 769 249)	103 388 341
Community & Social Services	17 669 948	38 202			17 708 150	(2 664 796)	(249 389)		(2 914 185)	14 793 965
Sport & Recreation	23 255				23 255	(125 312)			(125 312)	(102 057)
Public Safety	378 124				378 124	(966 087)			(966 087)	(587 963)
Planning & Development	6 192 890				6 192 890	(1 896 841)	(1 804 552)		(3 701 393)	2 491 497
Road Transport	140 952 338		30 163 718		171 116 056	(15 630 973)	(6 720 701)		(22 351 674)	148 764 382
Electricity	69 651 409	250 000	18 037 369		87 938 778	(6 147 215)	(558 094)		(6 705 309)	81 233 469
Waste Management	1 264 525				1 264 525	-	(44 823)		(44 823)	1 219 702
Under Construction	-				-	-			-	-
Total	342 769 282	2 259 269	57 687 239	(654 249)	402 061 541	(37 059 220)	(10 945 883)	-	(48 005 103)	354 056 438

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uPhongolo Local Municipality
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2017

2016	2016	2016		2017	2017	2017
Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R		R	R	R
16 965 295	9 841 786	7 123 509	Executive & Council	16 185 954	12 441 038	3 744 916
3 807 777	4 218 402	(410 625)	Municipal Manager	3 843 553	4 384 605	(541 052)
66 537 759	20 670 822	45 866 937	Budget and Treasury	73 634 794	32 906 284	40 728 510
14 641 678	26 704 185	(12 062 507)	Corporate Services	14 603 063	22 453 960	(7 850 897)
8 497 564	18 385 143	(9 887 579)	Community & Social Services	8 874 038	22 920 193	(14 046 155)
3 791 040	8 946 765	(5 155 725)	Sport & Recreation	3 840 454	11 154 410	(7 313 956)
8 182 625	15 909 025	(7 726 400)	Public Safety	8 136 689	14 092 348	(5 955 659)
58 636 455	26 831 817	31 804 638	Planning & Development	59 745 049	20 226 798	39 518 251
12 905 120	12 520 063	385 057	Road Transport	12 886 138	13 965 015	(1 078 877)
38 205 463	28 906 201	9 299 262	Electricity	58 056 213	31 677 531	26 378 682
12 144 956	11 143 560	1 001 396	Waste Management	12 535 524	15 706 084	(3 170 560)
2 063 757	1 855 110	208 647	Other	1 273 157	7 220 026	(5 946 869)
246 379 489	185 932 879	60 446 610		273 614 626	209 148 292	64 466 334
-	-	-	Less: Inter-Department Charges	-	-	-
246 379 489	185 932 879	60 446 610	Total	273 614 626	209 148 292	64 466 334

APPENDIX E

BUDGET FINANCIAL PERFORMANCE BY MUNICIPAL VOTE

for the year ended 30 June 2017

	2016 Final Budget	2016 Actual	2016 Variance	2017 Final Budget	2017 Actual	2017 Variance
Revenue						
Executive & Council	16 033 000	16 965 295	-932 295	16 185 901	16 185 954	(53)
Municipal Manager	3 805 000	3 807 777	-2 777	3 843 540	3 843 553	(13)
Budget and Treasury	51 619 051	66 537 759	-14 918 708	59 661 508	73 634 794	(13 973 286)
Corporate Services	15 257 496	14 641 678	615 818	14 520 902	14 603 063	(82 161)
Community & Social Services	8 853 156	8 497 564	355 592	8 904 443	8 874 038	30 405
Sport & Recreation	3 626 796	3 791 040	-164 244	3 837 568	3 840 454	(2 886)
Public Safety	8 234 663	8 182 625	52 038	8 384 128	8 136 689	247 439
Planning & Development	55 089 133	58 636 455	-3 547 322	62 069 690	59 745 049	2 324 641
Road Transport	12 951 817	12 905 120	46 697	12 950 043	12 886 138	63 905
Electricity	56 010 907	38 205 463	17 805 444	56 274 754	58 056 213	(1 781 459)
Waste Management	10 593 260	12 144 956	-1 551 696	11 791 403	12 535 524	(744 121)
Other	2 060 000	2 063 757	-3 757	2 083 141	1 273 157	809 984
	244 134 279	246 379 489	(2 245 210)	260 507 021	273 614 626	(13 107 605)
Expenditure						
Executive & Council	11 004 904	9 841 786	1 163 118	13 361 710	12 441 038	920 672
Municipal Manager	4 134 666	4 218 402	(83 736)	5 051 010	4 384 605	666 405
Budget and Treasury	27 133 069	20 670 822	6 462 247	30 237 808	32 906 284	(2 668 476)
Corporate Services	25 885 182	26 704 185	(819 003)	26 959 234	22 453 960	4 505 274
Community & Social Services	17 039 300	18 385 143	(1 345 843)	22 909 833	22 920 193	(10 360)
Sport & Recreation	7 070 367	8 946 765	(1 876 398)	10 937 719	11 154 410	(216 691)
Public Safety	10 510 382	15 909 025	(5 398 643)	14 225 562	14 092 348	133 214
Planning & Development	15 970 579	26 831 817	(10 861 238)	16 314 895	20 226 798	(3 911 903)
Road Transport	17 302 273	12 520 063	4 782 210	15 089 701	13 965 015	1 124 686
Electricity	31 263 946	28 906 201	2 357 745	35 516 823	31 677 531	3 839 292
Waste Management	15 133 307	11 143 560	3 989 747	15 299 990	15 706 084	(406 094)
Other	2 363 425	1 855 110	508 315	3 162 129	5 759 660	(2 597 531)
	184 811 400	185 932 879	(1 121 479)	- 209 066 414	207 687 926	1 378 488

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

uPhongolo Local Municipality
APPENDIX F
UNSPENT CONDITIONAL GRANTS

as at 30 June 2017

Name of Grant	Unspent portion 2015/16 financial statements	Adjustments and Transfers	Receipts during the year	Expenditure during the year	Unspent portion 2016/17 financial statements	Grants and Subsidies delayed / withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non- compliance
	R	R	R	R	R				
Capital Grants									
Flea Market Grant	211 613		-	(211 613)	-	No	N/a	Yes	N/a
Municipal Infrastructure Grant	2 471 329	(2 471 329)	41 643 051	(41 643 051)	-	No	N/a	Yes	N/a
Integrated National Electrification Programme Grant	-		18 000 000	(17 998 506)	1 494	No	N/a	Yes	N/a
Mass Electrification Programme	4 927 890			(4 927 890)	-	No	N/a	Yes	N/a
Sub-Rank Facility Grant	463 792			(460 375)	3 417	No	N/a	Yes	N/a
Cultural Village Grant	2 633 038			(2 633 038)	-	No	N/a	Yes	N/a
Street Lights Grant	428 222			(420 764)	7 458	No	N/a	Yes	N/a
Sports Facility Grant	-		334 000	(167 000)	167 000	No	N/a	Yes	N/a
Sub-total	11 135 884	(2 471 329)	59 977 051	(68 462 237)	179 369				
Operating Grants									
Municipal Systems Improvement Grant	-				-	No	N/a	Yes	N/a
Finance Management Grant	-		1 825 000	(1 825 000)	-	No	N/a	Yes	N/a
Pound Grant	490 490	509 510			1 000 000	No	N/a	Yes	N/a
Provincialisation of Libraries Grant	-		965 000	(965 000)	-	No	N/a	Yes	N/a
Library Community Services Grant	105 123	(105 123)	358 000	(358 000)	-	No	N/a	Yes	N/a
Sports Facility Maintenance Grant	-				-	No	N/a	Yes	N/a
Expanded Public Works Programme Grant	-		3 021 000	(3 021 000)	-	No	N/a	Yes	N/a
Zululand District Municipality Tourism Grant	-		-	-	-	No	N/a	Yes	N/a
Development Administration Grant	205 686		-	-	205 686	No	N/a	Yes	N/a
Integrated Electrification Redds	98 000		-	-	98 000	No	N/a	Yes	N/a
Tourism Grant Candover	290 862		-	-	290 862	No	N/a	Yes	N/a
Strategic Support Grant	93 848		-	-	93 848	No	N/a	Yes	N/a
Synergistic Partnership Grant	123 104		-	-	123 104	No	N/a	Yes	N/a
Housing Community Gardens Grant	72 864		-	-	72 864	No	N/a	Yes	N/a
Planning and Development Grant	47 621		-	-	47 621	No	N/a	Yes	N/a
Municipal Development Grant	100 000		-	-	100 000	No	N/a	Yes	N/a
Sub-total	1 627 598	404 387	6 169 000	(6 169 000)	2 031 985				
Total Grants	12 763 482	(2 066 942)	66 146 051	(74 631 237)	2 211 354				

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

uPhongolo Local Municipality
APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Management Regulation 42
as at 30 June 2017

Supplier	Amount (VAT incl.)	Reason for deviation	Motivation	Department
	R			
IKHWEZI L&L DISTANCE	11 500,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	3 000,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	10 000,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	4 500,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	36 200,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	11 200,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	3 000,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	4 500,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	9 000,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	30 600,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	7 000,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	14 000,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	28 800,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	6 000,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	4 500,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	3 100,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	15 000,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	5 500,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE

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APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Management Regulation 42

as at 30 June 2017

Supplier	Amount (VAT incl.)	Reason for deviation	Motivation	Department
IKHWEZI L&L DISTANCE	16 100,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	6 200,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	27 900,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	13 500,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	3 000,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	7 500,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	4 500,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	21 000,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	11 600,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
PAARL MEDIA	4 604,00	EMERGENCY ADVERT	SECTION 36(1)(a)(ii)	CORPORATE
INISWA PROMOTIONS	17 601,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	CORPORATE
INISWA PROMOTIONS	7 981,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	CORPORATE
INISWA PROMOTIONS	7 120,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	CORPORATE
INISWA PROMOTIONS	54 237,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	CORPORATE
INISWA PROMOTIONS	2 117,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	CORPORATE
SIGMA IT	61 808,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	CORPORATE
AMUKELANI CONSTRUCTION	78 114,00	EMERGENCY	SECTION 36(1)(a)(ii)	COUNCIL

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APPENDIX G**DEVIATION FROM PROCUREMENT PROCESSES****Supply Chain Management Regulation 42****DEVIATION FROM PROCUREMENT PROCESSES**

Supplier	Amount (VAT incl.)	Reason for deviation	Motivation	Department
PONGOLA COMMUNITY RADIO	70 200,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	MM
BEST THOUGHT TRADING	190 000,00	EMERGENCY	SECTION 36(1)(a)(ii)	TECHNICAL
PREMIER HOTEL	490 868,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	COUNCIL
MTHOBA CONSTRUCTION	154 413,00	EMERGENCY	SECTION 36(1)(a)(ii)	TECHNICAL
EXCELSIOR PRINTERS	3 680,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	CORPORATE
SABC SALES GROUP	45 160,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	CORPORATE
NOKUTHETHA GENERAL	105 700,00	EMERGENCY	SECTION 36(1)(a)(ii)	TECHNICAL
IMBOKODE AGRICULTURAL	2 600,00	EMERGENCY	SECTION 36(1)(a)(ii)	COMMUNITY
SABS COMMERCIAL	4 183,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	COMMUNITY
TONY'S TOOL HIRE	4 097,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	TECHNICAL
DUZE MSIZI TRADING	35 000,00	EMERGENCY	SECTION 36(1)(a)(ii)	TECHNICAL
MPEKWENI BEACH RESORT	14 737,00	EMERGENCY	SECTION 36(1)(a)(ii)	FINANCE
ULWEZELIHLE TRADING ENTERPRISE	130 720,00	EMERGENCY	SECTION 36(1)(a)(ii)	TECHNICAL
PREMIER HOTEL RICHARDS	55 281,00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE

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